ANNUAL REPORT 2024

מזרחי טפחות

MIZRAHI TEFAHOT

People first and foremost

This report does not constitute a Periodic Report pursuant to the Securities Regulations (Periodic and Immediate Reports), 1970. The periodic report (including details about members of the board of directors and executive management, required by the Bank Of Israel), the actuarial assessment regarding employee rights at the Bank, a detailed risk management report and information regarding supervisory capital instruments issued by the Bank, are available on the Israel Securities Authority's MAGNA website: www.magna.isa.gov.il and on the Bank website at www.mizrahi-tefahot.co.il/en financial reports.

Bank Mizrahi Tefahot

Annual Report

2024

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This translation of the financial statement is for convenience purposes only. The only binding version of the financial statement is the Hebrew version.

The Bank has been granted permission by the Supervisor of Banks to issue its annual financial statements on a consolidated basis only.
Note 36 to the financial statements provides a summary of the Bank's solo financial statements.
A booklet with bank information is available on request or on the Bank website at:
www.mizrahi-tefahot.co.il>> About the Bank >> Investor Relations >> Financial Information

List of tables included in the risks report

Bank Mizrahi Tefahot

Report of the Board of Directors and Management

2024

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Introduction

The Iron Swords War, which started after the surprise attack on October 7, 2023 has been on-going for over a year. Even at this stage, a great deal of uncertainty still remains regarding its end date and its full impact on the economic activity in Israel.
Mizrahi Tefahot Group bows in respect to the families of those murdered and of IDF fallen soldiers in the war, praying for the return home of all those kidnapped, and sending wishes of speedy recovery to all wounded civilians and soldiers.
Since the start of the war, the Bank has been part of the national endeavor: in direct support for impacted populations, primarily in the Gaza border area and near the Northern border – including through adoption of Sderot and Kfar Aza, and by taking initiative on banking relief, designed to support and to help Bank customers, who were directly or indirectly affected by these events, so as to allow them to overcome the challenging period.
For information about steps taken by the Bank, implications of these events on the financial statements and on risk management, see below chapters "Significant developments in management of business operations", "General environment and impact of external factors on the Bank Group”, "Material developments in revenues, expenses and other comprehensive income" and "Risks overview".
At the meeting of the Board of Directors of Mizrahi Tefahot Bank held on February 26, 2025, it was resolved to approve and publish the Report of the Board of Directors and Management, the Risk Management Report and Other Supervisory Disclosures and the consolidated financial statements of Mizrahi Tefahot Bank Ltd. and its subsidiaries as of December 31, 2024. This report is submitted to the General Meeting of Shareholders.
The Bank’s Financial Statements as of December 31, 2024 have been prepared in accordance with the directives and guidelines of the Supervisor of Banks. These directives largely adopt the accounting rules accepted at banks in the United States (US GAAP) (see also Note 1 to those Financial Statements).
The Report of the Board of Directors and Management and the 2024 financial statements are prepared in the layout stipulated by the Supervisor of Banks. After the Notes to the financial statements you will find a chapter on corporate governance, audit, more information about the Bank and its management, as well as appendixes to the annual report.
Further additional information to the financial statements is available on the Bank website:
www.mizrahi-tefahot.co.il About the Bank >> Investor Relations >> Financial Information
This additional information of which:
- Detailed Risks Report in conformity with disclosure requirements of Basel Pillar 3 and in conformity with additional recommendations by the Financial Stability Board (FSB).
- Notes to the financial statements including Bank separate data (solo), upon request.
- Details of capital instruments issued by the Bank.
- Financial statements in XBRL file.

In conformity with the Equal Rights for Persons with Disabilities Regulations (Service accessibility adaptations), 2013, the website also provides accessible reports.

Forward-looking information

Some of the information in the Report of the Board of Directors and Management, which does not relate to historical facts, constitutes “forward-looking information”, as defined in the Securities Law, 1968 (hereinafter: "the Law").
Actual Bank results may materially differ from those included in the forward-looking information, due to many factors including, inter alia, changes to capital markets in Israel and overseas, macro-economic changes, geo-political changes, changes to legislation and regulation and other changes not within the Bank's control, which may result in assessments not materializing and/or in changes to business plans.
Forward-looking information typically includes words or expressions such as: "we assume", "expected", "forecasted", "estimate", "intend", "plan", "may change" and similar expressions, as well as nouns such as: "plan", "objectives", "desire", "should", "may", "will be". Such forward-looking expressions involve risk and uncertainty, as they are based on current Bank assessments with regard to future events, which include the following: Forecasts of economic developments in Israel and worldwide, especially the state of the economy, including the effect of macroeconomic and geopolitical conditions; expectation of changes and developments in the currency markets and the capital markets, forecasts related to other factors affecting the exposure to financial risks, forecasts of changes in the financial stability of borrowers, the public’s preferences, changes to legislation and supervisory regulations, the behavior of competitors, the Bank’s image, technological developments and human resources developments.

The information presented below relies, *inter alia*, on publications from the Central Bureau of Statistics, Ministry of Finance, Bank of Israel and others who publish data and estimates with regard to capital markets in Israel and overseas, and on forecasts and future estimates on various matters, as noted above, and any anticipated events or developments may fail to materialize, in whole or in part.

Overview, objectives and strategy

This chapter describes the Bank, its operating areas, performance, risks to which the Bank is exposed and its targets and strategy.

Condensed financial information and key performance indicators for the Bank Group

	For the year ended December 31				
	2024	**2023**	**2022**	**2021**	**2020**
					NIS in millions
Statement of profit and loss – key items					
Interest revenues, net	11,814	11,975	10,240	7,685	5,820
Non-interest financing revenues	574	511	754	401	221
Commissions and other revenues	2,333	2,294	2,674	2,234	1,892
Total revenues	**14,721**	**14,780**	**13,668**	**10,320**	**7,933**
Expenses (income) with respect to credit losses	519	1,463	532	(278)	1,050
Operating and other expenses	5,222	5,569	6,173	5,568	4,279
Of which: Payroll and associated expenses	3,431	3,544	4,029	3,536	2,644
Pre-tax profit	8,980	7,748	6,963	5,030	2,604
Provision for taxes on profit	3,326	2,669	2,356	1,730	903
Net profit(1)	**5,455**	**4,910**	**4,472**	**3,188**	**1,610**

	2024				2023			
	Fourth quarter	**Third quarter**	**Second quarter**	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
								NIS in millions
Statement of profit and loss – key items								
Interest revenues, net	2,753	3,156	3,220	2,685	2,689	2,959	3,181	3,146
Non-interest financing revenues (expenses)	143	60	26	345	(167)	341	250	87
Commissions and other revenues	595	581	589	568	569	568	564	593
Total revenues	**3,491**	**3,797**	**3,835**	**3,598**	**3,091**	**3,868**	**3,995**	**3,826**
Expenses due to credit losses	105	130	109	175	295	694	247	227
Operating and other expenses	1,326	1,289	1,328	1,279	1,196	1,415	1,521	1,437
Of which: Payroll and associated expenses	860	847	868	856	702	902	1,009	931
Pre-tax profit	2,060	2,378	2,398	2,144	1,600	1,759	2,227	2,162
Provision for taxes on profit	700	898	893	835	519	624	779	747
Net profit(1)	**1,306**	**1,425**	**1,452**	**1,272**	**1,047**	**1,098**	**1,398**	**1,367**

(1) Any mention of "net profit" or "equity" in this Board of Directors' Report refers to net profit and equity attributable to shareholders of the Bank.

Net profit for the Group in 2024 amounted to NIS 5,455 million, compared to net profit of NIS 4,910 million in 2023 – an increase by 11.1%. Net profit in 2024 reflects return on equity of 18.5%, compared to 19.1% in 2023.

The following major factors affected Group profit in 2024 compared to 2023:

In 2024, financing income decreased by 0.8% compared to the corresponding period last year, due to, among other things, the effect of the Federal Reserve's interest rate cuts, interest rate cuts in Israel at the beginning of the year and the diversion of funds from current accounts to deposits. Since the beginning of 2024, financing income from operating activities has been gradually rising.

- Expenses with respect to credit losses in 2024 amounted to NIS 519 million, compared to NIS 1,463 million in 2023. Expenses due to credit losses in 2023, reflected the effect of the increased credit risk due to the war and the increase in risk levels, as a result of the increase in the interest rates in the economy.

For more information see chapter "Policies and critical accounting estimates" below.

- Total operating and other expenses decreased by 6.2% compared to 2023. The drop in operating and other expenses derives, among other things, from the continued synergy following the Union Bank merger, from expenses recorded in the corresponding period last year due to the impact of the pay agreement signed with the workers organization, as well as from one-off amortizations of assets recorded in 2023.

For other effects, see each of the operating expense components below.

Profit data for 2020-2024 shows:

- Average annual growth rate in total revenues of 16.7%. The increase in revenues was due to strong growth over the years and to the Union Bank transaction.
- Expenses have grown at a rate which is significantly lower than that of revenues, totaling 5.1%, due to, among other things, the merger of Union Bank into the Bank.

Condensed financial information and key performance indicators for the Bank Group – continued

	As of December 31				
	2024	**2023**	**2022**	**2021**	**2020**
					NIS in millions
Balance sheet – key items					
Total assets	485,643	448,204	428,292	392,271	360,140
Loans to the public, net	357,981	325,346	307,472	271,428	245,525
Cash and deposits with banks	82,644	86,550	93,673	95,267	86,570
Securities	28,491	23,071	15,144	15,033	17,290
Buildings and equipment	1,852	1,531	1,503	1,734	1,743
Deposits from the public	393,383	358,553	344,514	307,924	284,224
Bonds and subordinated notes	36,916	37,070	33,287	38,046	33,446
Deposits from banks	2,599	4,571	6,994	6,992	3,779
Shareholders' equity(1)	31,292	27,461	23,780	20,770	18,804

Data of the multi-period balance sheet indicate continued and consistent growth in Bank operations.

The average annual growth in 2020-2024 amounted to:

Total assets –	12.2%
Loans to the public, net –	11.8%
Deposits from the public –	13.3%
Shareholders' equity –	14.3%

(1) Any mention of "net profit" or "equity" in this Board of Directors' Report refers to net profit and equity attributable to shareholders of the Bank.

Key financial ratios (in percent)

	For the year ended December 31				
	2024	2023	2022	2021	2020
Key performance benchmarks					
Net profit return on equity(1)	18.5	19.1	(9)20.1	15.8	9.5
Net profit return on risk assets(2)	1.71	1.86	1.91	1.53	0.89
Return on average assets	1.18	1.13	1.08	0.85	0.53
Deposits from the public to loans to the public, net	109.9	110.2	112.0	113.4	115.8
Ratio of Tier I equity to risk components	10.40	10.32	9.94	10.04	10.04
Leverage ratio(3)	6.04	5.83	5.42	5.18	5.19
Liquidity coverage ratio (Quarterly)(4)	135	131	118	125	133
Net stable funding ratio(5)	113	114	115	119	
Ratio of revenues(6) to average assets	3.17	3.39	3.32	2.75	2.63
Cost-income ratio – operating expenses to total revenues(7) (Cost Income Ratio)	35.5	37.7	(9)45.2	54.0	53.9
Basic net earnings per share (in NIS)	21.12	19.07	17.47	12.47	6.70
Key credit quality benchmarks					
Ratio of balance of provision for credit losses to total loans to the public	1.14	1.24	0.93	0.77	0.98
Ratio of non-accruing debts or debts in arrears 90 days or longer to loans to the public	1.21	1.16	0.87	0.95	1.18
Expenses with respect to credit losses to loans to the public, net for the period	0.14	0.45	0.17	(0.10)	0.43
Ratio of net accounting write-offs to average loans to the public	0.13	0.09	0.09	0.05	0.12
Other information					
Share price (in NIS) as of December 31	157.60	142.60	113.90	120.00	74.25
Dividends per share (in Agorot)(8)	724	540	366	482	75
Average employee headcount for the Group	7,174	7,148	(10)7,636	7,420	6,684
Ratio of net interest revenues to average assets	2.55	2.74	2.48	2.05	1.93
Ratio of commissions to average assets	0.44	0.46	0.50	0.52	0.55

Financial ratios indicate as follows:

- Net profit return on equity was 18.5% in the reporting year.
- The ratio of Tier I capital to risk components increased to 10.40%. The minimum ratio required of the Bank is 9.60%.
- The cost-income ratio in 2024 reached 35.5%.
- The Bank's financial ratios: The Bank’s capital ratios, leverage ratio and liquidity ratios are above the required regulatory ratios.

Profit and loss items, balance sheet items and various financial ratios are analyzed in detail in the Report of the Board of Directors and Management, in chapter "Explanation and analysis of results and business standing" and in chapter "Risks overview".

(1) Any mention of "net profit" or "equity" in this Board of Directors' Report refers to net profit and equity attributable to shareholders of the Bank.
(2) Net profit to total average risk assets.
(3) Leverage Ratio – ratio of Tier I capital (according to Basel rules) to total exposure. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 218.
(4) Liquidity Coverage Ratio – ratio of total High-Quality Liquid Assets to net cash outflow. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 221, in terms of simple averages of daily observations during the most recent reported quarter.
(5) Net stable funding ratio – a liquidity ratio stipulated by the Supervisor of Banks, in conformity with recommendations of the Basel Committee, designed to maintain a sustainable financing structure over time, in addition to the liquidity coverage ratio. The requirement to calculate and maintain a minimum net stable funding ratio and the required public disclosure apply as from December 31, 2021.
(6) Interest revenues, net and non-interest revenues.
(7) Total operating and other expenses to total operating and financing revenues and expenses with respect to credit losses.
(8) The rate of dividends is calculated based on the amount of the dividends actually distributed in the reported year.
(9) Excluding effect of capital gain, net from sale of assets, net profit return on equity in 2022 was 19.0% and the cost-income ratio was 46.4%.
(10) Data through December 31, 2022 include 373 former Union Bank employees whose employment was terminated in early 2023.

Environment, society and governance

Material aspects of environment, society and governance (ESG) at the Bank, which integrate with Bank business objectives and current operations

The Group incorporates ESG aspects in its business strategy, maintains regular communication with all stake holders and manages diverse risks arising from its operations from environments, social and corporate governance aspects. In 2022, the Group formulated and approved a policy on identification, management and control of ESG risk at the Bank.

The Board of Directors supervises ESG issues through Board committees or by the Board of Directors Planum, including: Climate change, environmental and social risks in lending and investments, handling customer complaints, financial inclusion and so forth. The Board of Directors and Risk Management Committee have set a number of ESG benchmarks pertaining to various fields, which are relevant to the Bank's areas of activity. For some of the ESG benchmarks targets were set for 2030 in line with the Bank's work plan. The status of progress for the Bank's key 2030 ESG targets is reported in its ESG Report. The Board Committees discuss the Bank's ESG risks as part of the quarterly Risks Document. Moreover, the Risks Management Committee and the Board of Directors receive the environmental risks and climate risks report and discuss ESG risks. The Bank has a steering committee, headed by the Manager, Human Capital and Resources Division and composed of different division managers, designed to lead policy, activity, control and reporting as part of promoting ESG across all Bank operations, for optimal management of identified ESG risks and assessment of opportunities.

In recent years, global awareness of the potential impact of climate change for ecological systems, for society and for the global financial system has been growing. These effects are expected to continue in the coming years, to increase and to pose a key challenge to countries around the world. Bank Mizrahi Tefahot, being a leader in the Israeli banking system, is preparing for climate change and the resulting implications thereof. The Bank operates in conformity with Bank of Israel requirements and based on generally accepted global practices, in order to make the required adjustments to its operations in a professional, responsible manner – so as to benefit, *inter alia*, its stake holders and to ensure stability of the Bank and of the Israeli economy. The Bank acts to expand preparations for risks that may arise from climate change, in conformity with revised requirements and with evolving maturity level of global practices and of the Israeli economy. This is done while discharging its responsibility to provide optimal service to Bank customers.

In the past year, the Bank has published its TCFD report (Task Force on Climate-Related Financial Disclosures), which is incorporated into the annual ESG Report and presents Bank assessments of effective management of climate risk. This report was created in conformity with the generally accepted global standard for such reporting. The report provides an extensive overview of all processes undertaken at the Bank over the past two years, so as to prepare for climate-related aspects, in conformity with regulatory requirements in Israel. These processes include, inter alia, creation of designated forums for managing this area, development of mechanisms for classification and assessment of climate risks, development of mechanisms for risk identification, management measurement and mitigation, as well as development of custom products to harness business opportunities arising from climate change and preparation there for.

The Bank also has a unique service concept, which places the personal banker in the branch at the center of the customer relationship, complemented by a technological range of advanced digital channels. This service concept optimally serves customer needs, as indicated by satisfaction surveys regularly conducted by the Bank and in surveys conducted by the Bank of Israel, while accounting for unique attributes of customers from different segments and backgrounds in Israeli society. Thus the Bank is able to route value propositions to specific customers. The Bank sees the great importance of approaching diverse customers and segments in Israeli society and strives to create products and services in response to various customer needs.

For more information about Bank activity, see the ESG Report issued by the Bank.

Key ESG benchmarks (as of December 31):

	2024	2023	2022
Social			
Number of branches for the Group	205	206	204
Number of Group employees (annual average)[3]	7,174	7,148	[3]7,636
Loans to social products (NIS in millions)[5]	9,963	9,093	4,111
Investment in the community (NIS in millions)	52.3	40.8	20.4
Employee volunteer work hours (in thousands)	40.3	43.6	28.2
Small and micro suppliers as percentage of all Group suppliers	70%	69%	68%
Women as percentage of all employees	64.16%	64.92%	64.98%
Percentage of female Bank executives	46%	46%	42%
Percentage of Bank employees from labor force under-represented demographics[1]	18.3%	19%	15%
Estimated percentage of employees recruited from labor force under-represented demographics[1][7]	24%	25.0%	17.6%
Average training hours per employee	54	43	43
Bank's investment in employee training (NIS in millions)	96.7	77.5	72.6
Environmental			
Change in the Group's operational carbon footprint (CO_2eq tons, Location Based) compared to the previous year[6][7]	(5.8%)	(1.8%)	1.8%
Change in the Group's operational carbon footprint compared to the base year 2020 (CO_2eq tons)[7]	(14.2%)	(8.9%)	(7.2%)
Total emissions eliminated by environmental initiatives of the Bank (CO_2eq tons)[4]		450	501
Loans to environmental products (NIS in millions)[2][7]	7,713	6,718	4,360

(1) Labor market under-represented demographics – Estimated in conformity with definition of the Equal Employment Opportunity Commissioner in the Ministry of Economics and Industry, for recruitment of employees from demographics with lower employment rates, such as employees with disabilities, employees of Ethiopian origin, Jewish Orthodox or Arab society.
(2) Based on generally accepted global practice, the Bank measures green financing provided by actual credit amount utilized by customers to promote environmental causes (on-balance sheet credit). The Bank has created its own taxonomy to specify the criteria for environmental credit, in accordance with generally accepted international standards. The Bank taxonomy is based on the GBP standard for green bonds, adopted by leading global banks as a standard which also applies to green credit.
(3) Data through December 31, 2022 include 373 former Union Bank employees whose employment was terminated in early 2023.
(4) This year it was decided not to present this data, since some of the initiatives we used to calculate it in previous years (such as switching to digital meetings and emails) are no longer relevant. Streamlining processes were put in place, most of which exhausted their saving potential. Other environmental data declined, which reflects an improvement; this means that they have improved and reflect the improvement in the Bank's energy efficiency and environmental metrics.
(5) The Bank's methodology is based on the SASB standard referring to financial inclusion.
(6) Calculated in accordance with GHG Protocol. Scope 3 does not include category 15. Scope 1 does not include hydrofluorocarbons.
(7) This benchmark has a 2030 target

In 2024, loans to social products and loans to environmental products have grown by approx. 9.6% and 14.8%, respectively. This trend reflects the Bank's commitment to promote these fields; it arises, among other things, from the provision of loans to rebuild settlements and businesses damaged by the war. These loans were provided in addition to financing provided under the "Iron Swords - Reservists" track, which was launched by the state in 2024 in order to support reservists' businesses, which were adversely affected by the war. Environmental loans increased as a result of the Bank's efforts to invest in products supporting a green environment in general and renewable energy in particular.

The rate of women in the Bank's workforce remains high (approx. 64.2%) - a rate which reflects the Bank's commitment to employment diversity. Furthermore, the Bank also maintained the high rate of women in its management team.

The Group's carbon footprint declined by 5.8% in 2024 compared to last year. This data reflects the continued implementation of processes aimed to improve energy efficiency driven by the Group in the past few year, and which contributed to an approx. 3% decline in electricity consumption.

Bank Group and its operating areas

Bank Mizrahi Tefahot Ltd. (hereinafter: "the Bank") is a public company and was among the first banks established in the State of Israel. The Bank was incorporated on June 6, 1923 under the name Bank HaMizrahi Ltd. and holds a banking license. The Bank was founded at the initiative of the World Mizrahi Center, in order to facilitate the financing of settlement, construction, manufacturing, labor and commercial activities of the new settlers in the Land of Israel. In 1969, upon the merger of the businesses of the Bank with the businesses of Hapoel Hamizrahi Bank Ltd., the Bank's name was changed to United Mizrahi Bank Ltd. In 1983, within the framework of the arrangement formulated between the Israeli Government and the Banks, the shares of the Bank were transferred to the control of the State through a securities company that was established for this purpose. In 1995, the Bank privatization process started, with control of the Bank transferred to Wertheim and Ofer Groups – this process was completed in 1997. Following the merger between United Mizrahi Bank Ltd and "Tefahot" Israel Mortgage Bank Ltd. ("Tefahot"), the merged bank's name was changed on November 7, 2005 to its present name, Mizrahi-Tefahot Bank Ltd. Later on, the Bank merged Adanim Mortgage Bank Ltd. (in 2009) and Union Bank Le-Israel Ltd. (in 2022) into the Bank.

For more information about the controlling shareholders of the Bank, see chapter "Corporate governance, audit, other information about the Bank and its management (controlling shareholders)" in this annual report.

Mizrahi-Tefahot Group (in this paragraph: "the Group") also includes, since 2008, Bank Yahav for Government Employees Ltd. (with the Bank holding 50% of all rights and means of control over Bank Yahav). The Group operates in Israel and overseas, and is engaged in commercial banking (business and retail) as well as in mortgage activities in Israel, and takes part in syndication transactions, through a nation-wide network of 205 branches, business centers and affiliates. Furthermore, business customers are supported by business centers and professional departments at Bank headquarters, which specialize by sector. The Bank's overseas operations are conducted via two bank affiliates (in the UK and in the USA).

In addition to its banking activities, the Bank Group is engaged in various activities related to the capital market, including: Management of nostro investments and real investments, consultancy for capital market activities, distribution of mutual funds, management of securities portfolios for customers, pension advisory service, trust services, provision of registration services for securities listed on the stock exchange in Israel, operation of provident funds and insurance incidental to mortgages. The Bank Group is also engaged in credit operation.

The Bank is one of the five largest bank groups in Israel. Below is the Bank Group share out of the Top 5 groups (based on financial statements as of September 30, 2024):

Loans to the public	21.4%
Deposits from the public	18.5%
Total balance sheet	18.1%
Equity	15.8%

Major risks

Information about developments of risks, including effects of the war, is presented in the chapter "Risks overview" below and in the Risks Report on the Bank website.

Below are definitions of major risks to which the Bank is exposed in its operations:

Credit risk – the risk that a borrower or counter party of the Bank would not meet their obligations to the Bank. Credit concentration risks are due to over-exposure to a borrower or to a borrower group and to economic sectors.

Market risk – the risk of loss from on– and off-balance sheet positions, arising from change in fair value of financial instruments, due to change in market risk factors (interest rates, exchange rates, inflation, prices of equities and commodities).

Interest risk – The risk to Bank profit or to Bank capital, primarily due to fluctuations in interest rates, fluctuations of various curves used by the Bank in its business operations or from the fact that a change in interest rates may result in a change in composition of the Bank's assets and liabilities due to exercise of options for early repayment due to change in market interest rates. Changes to interest rates impact Bank profits (change in revenues) and the value of Bank assets (change in fair value).

Liquidity risk – risk to profit and stability of the banking corporation due to being unable to provide for its liquidity needs, i.e. risk due to uncertainty about resource availability and the capacity to realize assets in a specified time at a reasonable price.

Operational risk – the risk of loss due to inappropriateness or failure of internal procedures, people, systems or due to external events. This risk is inherent in all products, activities, processes and systems. The framework for addressing operational risk also includes the following risks:

- **Information security and cyber defense risk** – Information security risk is risk arising from faults in protection of the Bank's computer systems and information stored there. Cyber risk materializes in case of an event including an attack on computer systems by or on behalf of internal or external adversaries of the Bank.
- **IT risk** – the risk of failure in information and/or in information / operational systems of the Bank, as well as inappropriate support to provide the services and business processes required by the Bank to achieve its business targets.
- **Legal risk** – Risk of loss due to exposure to fines or punitive action due to regulatory action and individual arrangements. Legal risk also includes risks arising from legal exposure due to Bank conduct with its various stakeholders (such as: customers, suppliers and other third parties).

Compliance and regulatory risk – The risk of imposition of sanctions, material financial loss or damage to reputation, which the Bank may incur due to its failure to comply with compliance provisions. The compliance risk also includes the following risks:

- **Cross-border risk** – the risk of financial loss (including due to legal proceedings, fines or sanctions imposed by statutory authorities or others in Israel and in other countries) and of impact to reputation, arising from the Bank's failure to comply with statutory provisions originating in other countries – whether provisions binding on the Bank or provisions which are not binding, but failure to comply with them may cause the Bank to incur damage, or from overseas activities of Bank customers in contravention of any statutory provisions.
- **AML and terror financing risks** – the risk of financial loss (including due to legal proceedings, penalties or sanctions imposed by authorities or other bodies in Israel and in other countries) and impact to reputation, which the Bank may incur due to breach of various statutory provisions regarding the Bank's obligations with regard to AML and terror financing.

Compliance risk also includes regulation risk, conduct risk, privacy protection risk, securities laws and economic competition laws, the risk of financial loss or damage to reputation as a result of breach of various regulations.

Reputational risk – the risk of negative perception by current customers, potential customers, suppliers, shareholders, investors or regulators, which may negatively impact the Bank's capacity to maintain or create business relations, and which may impact access to funding sources. That is to say, risk to corporate earnings, stability or capacity to achieve its targets due to impact to reputation which may arise from practices at the corporation, from its financial standing or from negative publicity (whether true or false).

Strategic business risk – is the risk, in real time or in future, to Bank profits, capital, reputation or status, which may arise from erroneous business decisions, improper deployment of decisions by the Bank or inappropriate alignment of the Bank to changes in the business environment in which it operates.

Regulatory business risk – This risk refers to the effect of legislation, including legislation in process, in core banking areas, as well as new regulation and regulatory expectations of regulatory entities, whether in process or completed, which may potentially impact core banking operations.

For more information about major and emerging risks, see chapter "Risk events" below.

For more information, see chapter "Risks overview" and the 2024 Risks Report on the Bank website.

Business goals and strategy

Strategic plan

On April 26, 2021, the Bank's Board of Directors approved a strategic 5-year plan for 2021-2025, based on the following:

- Position the Bank as a key player in business banking, based on supporting action including: set up operations for investments in non-banking corporations, lead large and complex transactions and expand the Bank's international operations at its branches in London and in the USA in areas focused on business banking;
- Establish leadership position of the Bank Group among households: Maintain the leadership position in the mortgage market while introducing innovations in products and processes, and increasing synergies with commercial operations, expand operations among target populations and set up a desk for unique consumer credit products;
- Provide personal, human banking services supported by advanced digital technology, including optimal combination of human and digital channels, with human service by expert bankers, including digitally, in accordance with customer choice and needs, as well as offering personalized value propositions across all channels, which are customized for customer needs.
- Adapt the operational model to future challenges and improve operational efficiency, including through relocating Bank headquarters to the central campus in Lod, adapt the branch structure to future challenges, optimize real estate, automate bank operations and streamline the work environment.
- Leverage the Union Bank merger to create operational and business synergy and to realize economies of scale.

The strategic plan is designed to achieve the following targets:

- Achieve in 2025, net profit return on equity attributable to equity holders of 14% on average equity, as well as double-digit, growing and stable return over the term of the strategic plan; these rates are based on the ratio of Tier I equity to risk components for the Bank at the minimum set by the Supervisor of Banks plus appropriate margin;
- Growth in bank operations to result in increased market share of the Bank in the Israeli banking system;
- Grow revenues at an annual average rate of 8% (although non-linear), while controlling the average annual expenses at a 5% growth rate (also non-linear) over the term of the strategic plan;
- Maintain high operating efficiency and leverage economies of scale due to the Union Bank merger, to achieve a cost-income ratio lower than 50% in 2025.

Under the strategic plan, which - as stated above - was approved in 2021, the Board of Directors shall monitor execution of the plan, in order to consider potential increase of the dividend rate, from 40% of net profit attributable to Bank shareholders, up to 50% of net profit attributable to equity holders of the Bank, upon conclusion of the Union Bank merger process; This would be subject to Bank compliance with the ratio of Tier I capital to risk components, as required by the Supervisor of Banks, maintaining appropriate margins and subject to approval by the Supervisor of Banks.

For more information about the strategic plan, see Immediate Report dated April 27, 2021
(reference: 2021-01-071448).

Significant developments in business operations

On October 7, 2023, Israel declared the Swords of Iron war, following a murderous rampage launched from the Gaza Strip against towns and military bases close to the border. Bank Mizrahi Tefahot and its many thousands of employees and managers supports wounded IDF soldiers, reservists and business owners, whose livelihoods were adversely affected by the war, as well as large groups of Bank customers that require a supportive and steady hand in this difficult period. Along with charitable donations made by the Bank from the outset of the war, to finance urgent needs of residents on the Gaza border, soldiers and volunteers, Mizrahi Tefahot resolved to adopt Sderot and Kfar Aza and to contribute to financing their needs on the immediate, medium and long terms. Furthermore, in order to help customers in general, and residents of the conflict regions in particular, the Bank published an outline of banking relief and benefits, which are significantly larger in scope than the basis stipulated by the Bank of Israel. For more information about Bank actions as well as banking benefits extended to Bank customers, see chapter "Significant developments in management of business operations" above.

Business in the mortgage market recovered in 2024, with residential mortgages extended in the banking system amounting to NIS 93.2 billion, an increase by 31.1% compared to 2023. This is due to the lower intensity of the fighting alongside the improvement in geopolitical conditions and the smaller effect the Iron Swords War had on the Israeli economy, and due to purchases brought forward towards the end of 2024 before the increase in the VAT rate.

After a decade of near-zero real interest rates, in 2022 we saw the start of an upward trend in market interest rates, reaching a record of 4.75% in May 2023. In early 2024, the Bank of Israel reduced its interest rate by 0.25%, to 4.5%, but still the relatively sharp increase in interest rates within one year posed a significant challenge to many customers, households and businesses, who saw their financing costs rise significantly. This was in addition to the reality of higher cost of living and economic and defense uncertainty. As expected from the top leading mortgage bank in Israel, Mizrahi Tefahot offers a human service concept that is active and proactive, providing a range of products and solutions designed to provide relief to mortgage customers, existing and new alike. Willing to help our customers address this complex reality, the Bank launched this year several pro-consumer efforts, including paying interest on credit balances in current accounts, offsetting interest on debit balances, reduced interest on debit balances and a special monetary bonus to mortgage holders. This was in addition to creating customized solutions for mortgage customers, who saw their monthly payments increase significantly due to the rising interest rates. Immediately upon the outbreak of the Iron Swords War, the Bank increased its support activity to many customers all across Israel, residents in the combat areas in the South and North and military reserve personnel who are business owners.

In the past year, the Bank continued to maintain is position as a leader in the mortgages market while widening the lead over its coopetitors. This was achieved while maintaining low risk features of loans: LTV ratio and repayment ratio to borrower income.

The extraordinary dedication of soldiers and reservists, who prioritize the national interest over their personal interest, is greatly appreciated. In order to express the entire society's heartfelt gratitude for this important group in a tangible and practical way, Mizrahi Tefahot launched a dedicated set of benefits aimed at those who served in reserve duty for more than 90 days: Any such reservists, who took out a new mortgage from Mizrahi-Tefahot benefited from up to NIS 100 thousand free of interest and linkage differences; any of those reservists, who already have a mortgage with the Bank, were eligible to additional credit of up to NIS 100 thousand at optimal interest, to be used for any purpose. Furthermore, students who served as reservists for over 90 days were able to receive a NIS 36 thousand loan with no interest and linkage for 36 months including a six-month grace period. Concurrently, the Bank has in place a dedicated offering of reliefs for groups, which were particularly affected by the situation, including residents of conflict zones in general and those who were evacuated in particular, victims of the war and reservists. The reliefs offered by the Bank include, among other things, deferral of mortgage payments and commercial loans, exemptions from interest on debit balances and exemptions from fees for defined periods and amounts, as well as other benefits. Furthermore, in order to support businesses operating in the conflict zones and reservists, whose businesses were particularly affected since the beginning of the war, the Bank has launched the "Orange.Israel" platform on its website, which allows them to gain exposure for their businesses to potential customers and buyers from across the country.

For several years, Mizrahi Tefahot holds a unique service concept, in which the personal banker in the branch is at the center of the customer's relationship with the bank, complemented by a surrounding envelope of advanced digital engagement channels. This way, customers can decide themselves, at any given moment, how they prefer to carry out their banking activity: With the assistance of their personal banker, independently – through one of the digital channels, or combining both. In order to support this service approach, and to provide Bank customers with maximum access to bankers at branches, Mizrahi Tefahot has been acting contrary to the trend characterizing the banking system in recent years. Unlike its competitors, who have closed dozens and dozens of branches and drastically cut their number of employees in general and specifically their human service array, Mizrahi Tefahot has continued to expand its branch network to approx. 200 branches, along with the number of bankers at branches and call centers. As a result, the Bank's customers enjoy an exceptional service experience and personal, professional and active banking with maximum availability. The success of the unique Mizrahi Tefahot service approach has also been evident in Bank of Israel service surveys, that check the satisfaction of households with the quality of service at the banks. In the 2024 survey Mizrahi Tefahot was ranked first - for the fifth consecutive time - in the category of 'satisfaction with service at the branch,' 'satisfaction with waiting times at the branch, and 'customers' willingness to recommend the Bank to others' (for the fifth consecutive time) and also received the highest score in the category of customers' 'perception of the Bank's fairness'.

The household segment is facing growing competition, both from within the banking system and from insurers and credit card issuers. The Bank's target is to increase its market share in the household segment, by expanding the customer base with a focus on specific target customers. Regulatory measures designed to increase competition in the household segment and to remove barriers to account movement between banks, provide an opportunity for recruiting more customers, based on the unique, high-quality personal service provided by the Bank. In this context, the Bank used hybrid banking platform and the LIVE branches to recruit new customers and improve service to current customers, while expanding the value proposition. The Bank has deployed an innovative CRM platform with advanced features, that improves bankers ability to provide focused services which address customer needs in an accurate and proactive manner.

Mortgage customers of the Bank provide potential for expanding the customer base for commercial activity. The Bank also strives to expand in other customer segments: the Arab segment, the Jewish Orthodox segment and retirees. Bank Yahav bolsters activity in the Group's retail segment, by expanding activity, including among salaried employees, while leveraging the capabilities of the innovative core banking system at Bank Yahav.

The Bank's business strategy emphasizes significant expansion of the customer base and increasing its market share among small and medium business customers, while regularly assessing risk at customer level, at sector level and for the economy as a whole. The Bank faces the increased competition in these operating segments by increased banking activity targeted at customers, by customer segmentation by occupation and needs, as well as an overview of their activity, and by expanding Bank activity in the State-backed fund for small and medium businesses. In order to expand Bank activity in the commercial banking segment, steps were taken to enhance the business centers and upgrade credit processes while reinforcing the professional training of its staff and maintaining appropriate underwriting standards. This infrastructure would support further expansion of activity in this segment over the coming years.

Moreover, competition in provision of banking and financial services to the business banking segment has been affected in recent years by the rapid growth in credit extended to large businesses and by expanded operations of non-bank entities focused on providing large-scale credit for long terms. The Bank faces competition in this segment by relying on the advantage of its human capital and on knowledge and experience in providing professional service and in adapting banking solutions to customer needs. Mizrahi Tefahot's growth in credit to large businesses in recent years was achieved, among other things, thanks to the Bank's growing dominance in leading and financing the largest transactions in the Israeli economy. The Bank's business strategy in this segment is designed to maximize the economic potential of capital, by focusing on high-margin activities relative to the required capital. Concurrently, the Bank acts to leverage its professional advantage, by increased collaboration in consortia with other entities. The Union Bank merger contributes to improved competitiveness of Mizrahi Tefahot and to its capacity to lead and finance the largest transactions in the market.

The Bank focuses its efforts on raising stable, diverse funding sources for various time horizons, from individual customers and from business customers, in order to further maintain appropriate liquidity ratios and in order to reduce the cost of funding sources required for its operations and thereby to improve its profitability. These efforts resulted in the Bank further expanding in 2024 its retail deposits while maintaining high liquidity ratios.

The Bank continues to maintain high operational efficiency through, *inter alia*, re-organizing assets and optimizing the branch network, by opening branches at locations with potential for business growth and streamlining the existing branch network. The Bank is in advanced stages of construction of the new Mizrahi Tefahot campus in Lod, which would house all Bank headquarters units. The project is expected to be completed in 2025.

In 2023, the Bank signed a new pay agreement with the Employees' Association, effective through 2026, as well as agreements that govern the onboarding of former Union Bank employees into the Bank, and in 2024 the Bank signed a pay agreement with the Executives Association, effective through the end of 2027. These agreements allow the Bank to optimally and efficiently address the range of tasks and challenges on its agenda, while further promoting and empowering all Bank employees.

This information constitutes forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank's Board of Directors. These assumptions may not materialize due to factors which are not solely controlled by the Bank.

Developments in capital structure

Investments in Bank capital and transactions in Bank shares

- For more information about share issuance as part of the employee stock option plan, see report of changes to shareholders' equity on the financial statements.
- On May 29, 2024, the Bank Board of Directors, after approval by the Remuneration Committee, approved the offering of options to the Bank President & CEO and to officers of the Bank (other than Bank Board members) and to other managers at the Bank and at subsidiaries of the Bank, with respect to 2024. See Note 23 to the financial statements for additional information.

Raising of capital sources

As part of the Bank work plan, determined by the Board of Directors and including growth targets for diverse areas of operation, the Bank assesses the impact of achieving these targets on total risk assets at the Bank and, consequently, on the capital adequacy ratio. Accordingly, along with business and profitability objectives, a plan is set to raise capital sources in order to maintain capital adequacy, in accordance with instructions of the Board of Directors concerning capital adequacy.

The plan includes issue of contingent subordinated notes (Contingent Convertibles – CoCo) as needed and should ensure that the overall capital ratio would not be lower than the minimum capital ratio required by the Supervisor of Banks, at 12.5%.

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For more information about issue of bonds and contingent subordinated notes (Contingent Convertibles – CoCo) in 2024, see "Developments in financing sources" below.

Developments in financing sources

Group financing sources include deposits from the public and from other banks, issuance of types of bonds as well as shareholder equity.

The Group selects the mix of financing sources based on its business objectives, including objectives for profitability, return on equity, liquidity, diversification of sources in Israel and overseas across different currencies, capital adequacy and leverage – subject to statutory limitations applicable to banking corporations and in accordance with the state of the capital market in Israel and globally, and management forecasts regarding development therein.

Deposits

The Bank distinguishes between different source types by term and by customer type. The Bank reviews the degree of depositor concentration, and in this regard the Board of Directors and management have set limits and guidelines for concentration risk with regard to a single depositor, liquid means with regard to large / institutional depositors and source structure. Quantitative and qualitative indicators to be regularly monitored, which estimate change in concentration risk –have been specified as part of liquidity risk management. For more information regarding development in deposits from the public, see below in the chapter dealing with an analysis of structure of assets, liabilities, equity and capital adequacy.

Bank of Israel

The Bank of Israel is the primary source for short-term funding and funds absorption for the banking system, including for the Bank. In view of Operation Swords of Iron, in November 2023 the Bank of Israel launched a move whereby it would provide low-cost, long-term funding sources to banks (Bank of Israel interest rate minus 1.5%), for these to be "rolled on" as available credit to the business sector. This plan was concluded in January 2024.

Note that any bank borrowing from the Bank of Israel is required to provide collateral (deposits with the Bank of Israel, securities and qualifying mortgage portfolios) – and this fact is taken into account in regular liquidity management.

The Bank of Israel absorbs excess liquidity through MAKAM tenders (short-term treasury notes) and through monetary deposits for terms of 1 day, 1 week and up to 8 weeks. In 2024, excess liquidity in the banking system deposited in the Bank of Israel increased due to, among other things, sharply lower MAKAM issuance by the Bank of Israel.

Issuance of obligatory notes, bonds and complex capital notes

The Bank acts to raise long-term sources through issuances, including through Mizrahi Tefahot Issuance Company Ltd. (hereinafter: "Tefahot Issuance"), a wholly-owned subsidiary of the Bank. Over the years, Tefahot Issuance has issued bonds to the public pursuant to published prospectuses.

On August 1, 2022, Tefahot Issuance published a shelf prospectus for issuance of bonds. On May 4, 2023, the Bank issued a shelf prospectus for issuance of obligatory notes. These prospectuses are valid for two years, with an optional extension by a further one year. On July 25, 2024, Tefahot Issuance received the approval of the Securities Authority to extend its shelf prospectus by one additional year until August 1, 2025.

As of December 31, 2024, total bonds and subordinated notes amounted to NIS 37.0 billion, compared to NIS 37.1 billion as of December 31, 2023.

Of these, contingent subordinated notes (Contingent Convertibles – CoCo) with loss-absorption provisions through principal write-off (compliant with Basel III qualification provisions and recognized by the supervisor of Banks as Tier II capital), as of December 31, 2024, amounted to NIS 5.7 billion, compared to NIS 5.4 billion as of December 31, 2023.

For more information about the credit rating of the Bank and its bonds, see chapter "Corporate Governance, Audit, Other Information about the Bank and Management thereof".

Issuance and redemption of funding sources

On June 6, 2024, Tefahot Issuance issued an expansion of the Series 64 bonds and CoCo contingent subordinated notes (Series 69) as well as the issue of a new series of commercial paper, Series 3. The total proceeds received amounted to NIS 4.5 billion.

On November 27, 2024, Tfahot Issuance issued to the public Bonds (Series 70) with par value of approx. NIS 2.8 billion and contingent subordinated notes (Series 71) with par value of approx. NIS 0.9 billion. The total proceeds received amounted to NIS 3.7 billion.

On December 23, 2024, Tfahot Issuance executed full early redemption of subordinated notes (Series 50) with a par value of approx. NIS 1.1 billion.
On January 29, 2025 - subsequent to balance sheet date - Tfahot Issuance issued to the public Bonds (Series 52 - by way of expansion) with par value of approx. NIS 2.5 billion and Commercial Papers (Series 4) with par value of approx. NIS 2.3 billion. The total proceeds received amounted to NIS 4.8 billion.

Significant developments in management of business operations

Assistance to those affected by the war

Since October 7, 2023 and throughout the war, the Bank has prepared to continue its operations and to provide service to its customers, including in war-affected zones, as much as possible. For more information see chapter "Operational risk" below.

Concurrently, the Bank takes part in the national endeavor and has announced the allocation of funds for charitable donations and assistance to civilians affected by the war, and has launched programs to provide relief to Bank customers, with emphasis on customers resident in war-affected regions, so as to help them get through this war period and its economic implications.

Charitable donations and adoption of Sderot and Kfar Aza – Immediately upon the outbreak of war, the Bank started to provide monetary donations to fund the purchase of equipment, food and other urgent needs of those residents adjacent to the Gaza Strip (up to 7 kilometers from the Gaza border), of soldiers and of volunteers. Concurrently, the Bank announced its decision to adopt Sderot and Kfar Aza, providing a solution for needs of these towns and the residents thereof over the immediate, medium and long term, especially in areas where the Government is not involved. There is also focused activity under way to help small businesses at Kfar Aza. Bank teams have met with relevant parties in these two towns, to jointly map out the needs and projects in which the Bank would take part, and have started providing funds for financing these. Over the course of 2024 the Bank built adjusted plans, designed to promote rebuilding and returning life to its course, among other things a plan was implemented for business and financial accompaniment for small businesses of Kfar Aza residents, and a plan promoting the subject of informal education for all age levels. Total charitable donations allocated by the Bank for adoption of towns and other activities to benefit residents of the Gaza border and Northern border areas amounts to NIS 70 million. Most of these expenses were recorded in the 2023 Financial Statements.

Donation to the Jewish Agency – in May 2024, Israeli banks decided to make a donation to the Jewish Agency of NIS 98 million in order to provide critical assistance to the fortitude and survivability of soldiers serving in the reserves, who they or their spouses are owners of independent businesses, which were harmed due to the reserve duty of their owners. The Bank Group’s share in the donation is NIS 18 million.

Banking reliefs and benefits for Bank customers

In order to help Bank customers get through this challenging period, the Bank decided to offer a range of solutions to provide assistance and relief to Bank customers, substantially larger than the basis set by the Supervisor of Banks, including the following:

Benefits which are still in effect:

- An option to freeze mortgage payments for several additional months (up to one year in total), with no interest or linkage in accordance with the Bank of Israel’s outline. For first circle customers, the Bank expanded the terms of the outline, such that customers are not charged linkage for freezing the mortgage, and residents of the north were given the option to repay the outstanding amounts over the remaining loan period.
- Waiver of interest payable on debit balances of up to NIS 10,000 for individual customers who are residents of the Northern border region, or those affected by the war or relatives thereof, populations evacuated from their homes, the partygoer population, the reservist population and Order 8 recruits.
- Waiver of interest payable on debit balances of up to NIS 30,000 for small business customers (as defined in the rate book - turnover of up to NIS 10 million) who are residents of the Northern border region, or those affected by the war or relatives thereof; populations evacuated from their homes, the partygoer population, the reservist population and Order 8 recruits.
- Waiver of commissions for 3 months for private customers and small businesses (as defined in the rate book - turnover of up to NIS 5 million) who are residents of Northern border region, reservists or those affected by the war or relatives thereof; populations evacuated from their homes, participants of the parties, the reservist population and Order 8 recruits.
- Deferral of payments of commercial loans to individual customers (up to NIS 100 thousand) and business customers (up to NIS 2 million, with revenues turnover of up to NIS 25 million) for a period of up to 12 months (since the beginning of the war).

- Setting up / increasing checking account facilities for individual customers at Bank branches across the country, up to NIS 20 thousand.

Further benefits for residents of the north:

- “House in the North” mortgage - mortgages provided under preferential terms to first-time buyers in one of the settlements in the north, which were evacuated during the war.
- “Home Renovation Loan” - loan to be used to renovate one’s home amounting to NIS 50 thousand and up to 10% of the amount of the renovation loan. Customers eligible to the benefit: Customers with a mortgage with Tefahot, who are residents of the north and were evacuated from their homes and are renovating their home which was damaged during the war.
- Tefahot card - credit available in a Tefahot card or a loan for any purpose under a green track at preferential terms amounting to NIS 60-100 thousand.
- A fund to finance the renovation of homes which were damaged in the war - loans to individual customers to be used to renovate homes, or to finance the renovation as a bridge loan until receipt of funds from claims submitted to the purchase tax authorities - for evacuated residents of the north, who return to their homes.
- A “Renovate until Receipt of Compensation” loan - a loan to finance renovations for households that suffered damages in the war - up to NIS 150 thousand or 70% of the total claim amount.
- A “Renewal” loan - a loan for home renovations, up to NIS 75 thousand.

In addition, further benefits were granted during the war, including assistance to reserve troops when purchasing an apartment and repaying the mortgage – NIS 100 thousand without interest or linkage when taking a new loan and NIS 100 thousand at Prime interest as additional credit for mortgage holders at the Bank.

Note that the Bank of Israel outline, originally issued for 3 months, was extended five times during 2024 by a total of 15 months for customers enrolled in this outline (according to the outline, the maximum cumulative payment deferral period within the framework of the outline shall be 9 months for each loan, and for certain populations - 12 months for each loan). On January 14, 2025 the Bank of Israel published an additional (sixth) extension and expansion of 3 months to the relief outline, to the end of March 2025. For more information about the Bank of Israel’s support outline, see chapter "Corporate governance, audit, other information about the Bank and its management" in this Annual Report.

Furthermore, in order to assist businesses and professionals, primarily from the combat areas, whose economic activity was significantly impacted (or fully disrupted), the Bank created a platform named "Orange. Israel" on the Bank website, allowing them to advertise their services at no cost, thus gaining exposure with customers and potential buyers all across Israel.

The estimated value of relief and banking benefits extended to all Bank Group customers, beyond the charitable donation amount, is NIS 624 million (including banking relief and benefits provided to residents of Sderot and Kfar Aza, as noted above), assuming full utilization of all benefits offered to the relevant population. The utilization rate of the various reliefs, with the exception of freezing payments, reaches 97%, 100% in housing, 92% in households and 100% in small and very small businesses. Unlike other banking benefits, loan payment deferment is only undertaken by customers who require this, and therefore the utilization rate is expected to be low. Thus, total relief and benefit utilization amounted to NIS 290 million, a 46% utilization rate.

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Below is the economic cost of benefits provided by the Bank to address Operation Swords of Iron (NIS in millions)

	Residential	Private individuals – other	Small and micro businesses	Medium businesses	Large businesses	Total	2023
	For the year ended December 31, 2024						2023
Benefits Provided by the Bank During Wartime							
Benefits used over the course of the reported period:							
Benefits through changes in conditions of debt	74	13	17	1	-	105	85
Benefits through interest-free or reduced interest loans	-	7	-	-	-	7	9
Benefits through waived commissions	-	28	18	-	-	46	27
Other benefits	-	1	5	-	-	6	5
Of which: Monetary donations	-	1	5	-	-	6	5
Total	**74**	**49**	**40**	**1**	**-**	**164**	**126**
Pending benefits that have not yet been used as of the report date:	**253**	**56**	**20**	**1**	**4**	**334**	**405**

Additional information about activities to benefit borrowers during wartime

	Residential	Private individuals – other	Small and micro businesses	Medium businesses	Large businesses	Total	2023
						2024	
Change in terms for borrowers in financial difficulties	-	-	8	-	-	8	29
Change in terms for borrowers not in financial difficulties:	20,210	477	1,597	76	6	(1)22,366	28,515
Total credit	**20,210**	**477**	**1,605**	**76**	**6**	**22,374**	**28,544**

	Residential	Private individuals – other	Small and micro businesses	Medium businesses	Large businesses	Total	As of December 31, 2023
	As of December 31, 2024						
Balance of loans with changes in terms for borrowers in financial difficulties	-	4	24	-	-	28	29
Balance of loans with changes in terms for borrowers not in financial difficulties:							
Credit in deferral of payments and/or the extension of the period in which the deferral period had not yet ended	5,225	83	235	-	-	5,543	28,515
Of which: Problematic credit	110	1	6	-	-	117	129
Of which: Non-problematic credit, in arrears 30 days or longer	-	2	-	-	-	2	-
Payment amounts deferred	115	33	84	-	-	232	1,325
Average payment deferment by months	8	4	4	-	-	6	4
Credit with other change in terms	-	-	-	-	-	-	-
Total	**5,225**	**87**	**259**	**-**	**-**	**5,571**	**28,544**
Additional information on change in terms for borrowers not in financial difficulties:							
Balance of credit in which the payment deferral has ended	24,309	631	2,417	157	40	27,554	343
Of which: Debts defaulted after changes in terms	466	16	93	3	-	578	6

	Residential	Private individuals – other	Small and micro businesses	Medium businesses	Large businesses	Total	Total
	As of December 31, 2024						As of December 31, 2023
Balance of loans extended interest-free or at reduced interest							
Credit balance	-	169	6	-	-	175	159
Average interest rate[2]	-	4.43	[3]-	-	-	4.27	2.53
Loans extended in State-guaranteed funds							
Credit balance	-	-	1,160	185	68	1,413	354
Average interest rate	-	-	7.54	7.72	7.79	7.58	7.94
Of which:							
Credit balance extended with Bank of Israel financing	-	-	59	1	-	60	15
Average interest rate	-	-	6.17		-	6.17	6.43
Balance of loans extended with Bank of Israel financing (including through State-guaranteed funds)							
Credit balance	-	-	63	4	-	67	16
Average interest rate	-	-	6.17	6.17	-	6.17	6.43

(1) All payment deferral approvals, including repeated deferrals in respect of the same customers.
(2) Average prime lending rate in this period: 6.04%
(3) Interest-free loans extended

Branch network

Group branches are primarily intended to provide high-quality, professional service to customers across all bank activities, close to where such service is required (residence / business location). To this end, branches manage day-to-day customer activities and offer to customers and the public at large advanced financial products and services, including advisory services for capital market activity and pension advisory service.
Group branches are spread nation-wide and as of December 31, 2024 consisted of 205 business centers and branches, including 55 Bank Yahav branches (of which 3 branches operating partially).
The Bank continues to review its branch network in accordance with its strategic plan, with optimization and location selection based on considerations such as providing optimal service to customers, economic viability considerations etc.
For more information about sale of Bank Group land, see chapter "Significant Events in the Bank Group's Business" below.
The Bank operates 6 "LIVE" branches - non-geographic branches that provide full, personal service over extended business hours and through diverse communication channels between banker and customer (including through mobile phone calls and text messages, video communications or by email).

Direct channels

Policy applied by the Bank with regard to direct channels:

- Implementation of a multi-channel strategy, with the customer at its center, with the personal banker and direct banking channels being an integral part of this strategy.
- Development of hybrid banking service as a strategy for communicating with the customer.
- Expansion of scope and range of services provided through direct banking channels.

Direct channels offered to Bank customers include:

Hybrid Banking services

Hybrid Banking is the epitome of the combination of personal service accessible to customers and technology.

Hybrid Banking services are provided by Bank branches and banking centers, as follows:

- Bank branches – phone call, email and SMS from an identified customer are directly routed to the customer's banker and answered by the banker or by the backup team at the branch.
- The branch team at the banking center provides backup for bankers in branches, facilitating transactions and providing information to Bank customers, as part of the combined Hybrid Service provided to customers.

Online and cellular services

Online service – provides banking information and facilitates transactions in the account for diverse banking products available to Bank customers.

Account management application – allows one to get most of the E-banking services, using optional fingerprint and facial recognition for authentication.

Tefahot Touch app – this app is used by customers, together with the Bank's mortgage experts, from the mortgage application stage through loan origination. Some of the actions required for taking out a mortgage, which previously required customers to go to the branch in order to conduct them, can now be easily completed using the Tefahot Touch app. Moreover, this is yet another channel for customers to contact the Bank's mortgage experts. The Tefahot Touch app includes an arena for mortgage consultants.

Self-service at branches

- The Bank constantly expands the services provided to customers at self-service stations.
- Service stations – the Bank provides to service stations allowing customers to conduct transactions, such as: Depositing cash, taking out a loan, ordering checkbooks and depositing checks and obtaining information about their commercial accounts independently, 24 hours a day - even when the branch is closed (at most Bank branches).
- ATMs – As of the end of 2024, the Bank has 267 cash withdrawal machines, some in Bank branches and some deemed "remote ATMs".

This information constitutes forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank’s Board of Directors. These assumptions may not materialize due to factors which are not solely controlled by the Bank.

Expansion of business operations

For more information about the Bank's strategic plan, see chapter "Business goals and strategy (Strategic plan)" above.

Strategic collaboration

In 2024, the Bank continued to conduct syndication transactions, including sharing of credit risk with institutional and financial entities in Israel and overseas. Further collaboration with institutional entities is part of the Bank's strategic plan.

Significant developments in human resources and administration

Developments in labor relations

Signing of salary agreement with the executives and authorized signatories organization

For details on a special collective bargaining agreement was signed between the Bank and the Bank’s executives and authorized signatories signed on July 22, 2024, see Note 22 to the Bank’s Financial Statements.

Developments in logistics

In 2024, the Bank continued the trend of streamlining and utilizing existing resources as follows:

- Maintaining optimal management of the Bank’s real estate areas.
- Optimization of the branch network.
- Further leverage of infrastructure, through temporary leasing to a third party of areas used by the Bank as reserve for future growth.
- On April 30, 2017, the Bank Board of Directors resolved to approve a strategic move of Bank headquarter units to a single central site in Lod. In 2024, skeleton construction work ended and finishing work commenced. Project completion and relocation of the units are expected to take place at the end of 2025. At the end of 2024, the development, training and learning center was moved to the ground floor of the new building.

The activities and trends described above are expected to continue in 2025 as well.

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For more information about human capital at the Bank, organizational structure of the Bank and senior officers, see chapter "Corporate governance, audit, other information about the Bank and its management" in this annual report.

Changes to the Bank Board of Directors

For more information about the appointment of Mr. Avraham Zeldman as Chairman of the Board of Directors as from June 16, 2024, the reappointment of Ms. Estheri Giloz-Ran as external director in the Bank, the reappointment of Mr. Moshe Vidman as a director in the Bank, and the reappointment of Ms. Hannah Fayer as an external director in the Bank, see the chapter on corporate governance, audit, other information about the Bank and its management.

Significant developments in IT

In recent years, the Bank started a project to gradually replace its CRM system. The first phase - in the field of mortgages - was launched in 2023. The second phase - in the field of retail and commercial banking - was launched during the third quarter of 2024, concurrently with a significant technological upgrade. The last milestone of the project is expected to be launched in the second quarter of 2025.

As part of bolstering the technology infrastructure and the need to address evolving challenges in the business environment, the Bank launched a project to upgrade the digital channel infrastructure and the services offered based on such infrastructure, so as to allow customers a wider range of advanced channels for them to obtain the service at their choice. The project is a large-scale project; it is executed by an external supplier in collaboration with the Bank's Technology Division and the business entities. The project is expected to be executed over 3 years during which digital assets and new services will be launched.

The Bank is also acting to develop advanced tools for managing data and information, in order to improve the measurement capabilities used in making business decisions and in risk management.

Along with this, the Bank – through the Technology Division – continued to invest in development and maintenance of all Bank systems.

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For more information about investments and expenses with respect to IT, see chapter "Analysis of developments in assets, liabilities, equity and capital adequacy" below.

For more information about fixed assets and installations, see chapter "Corporate governance, audit, other information about the Bank and its management" in this annual report.

Developments in international geographic deployment

The international operations segment of the Bank Group includes business operations and personal banking services via branches in Israel and overseas. Bank Group international operations are primarily focused on private banking and on providing financial services to foreign residents and new immigrants and overseas in financing foreign trade, local credit and participation in syndicated loans. As well as providing banking services to Israeli customers with overseas activity. The Bank has affiliates in two countries, as listed in the chapter "Corporate governance, audit, other information about the Bank business and its Management".

The affiliates are in contact with local regulators and act in compliance with their directives.

Control is also applied to activity at affiliates by the Risks Management Division.

Each overseas affiliate acts in compliance with local laws and regulations, and is constantly assisted by local legal counsel, specialized in the banking activity relevant to each affiliate.

International operations are also subject to cross-border risk; for more information see chapter "Risks Overview" below.

For more information about these affiliates and their business, see chapter "Corporate governance, audit, other information about the Bank and its management (Overseas operating results)" in this annual report.

Other matters

Interested party in the Bank

On March 20, 2024, the Bank reported that HaPhoenix Investment House Ltd. and HaPhoenix Holdings Ltd. had ceased serving as interested parties in the Bank. For further details see the immediate reports issued by the Bank on March 20, 2024 (reference nos.: 2024-01-029190 and 2024-01-029193).

On March 26, 2024 the Bank reported that Meitav Investment House Ltd. had ceased serving as a Bank interested party. For further details see the report issued by the Bank on March 26, 2024 (reference no.: 2024-01-032313).

On March 20, 2024 the Bank reported that Harel Investments in Insurance and Finance Ltd. had ceased serving as a Bank interested party. It became again an interested party in the Bank on July 1, 2024 and served as such until July 10, 2024; it then became an interested party in the Bank again on November 11, 2024. For further details see the Bank's publications from March 20, 2024, July 1, 2024, July 10, 2024 and November 13, 2024 (reference nos.: 2024-01-029205, 2024-01-067018, 2024-01-067483, 2024-01-071334 and 2024-01-615456).

Civil Fine Imposed by the Bank Supervisor

On June 10, 2024 the Bank received notice from the Bank Supervisor, in which it was decided, in accordance with his authority in accordance with Section 50.b.(a) of the Banking Law (Licensing), 1981 (hereinafter: "the Banking Law: Licensing"), to impose a civil fine on the Bank to the sum of approx. NIS 173 thousand, for the violation of Section 24.a.(a) of the Banking Law: Licensing, due to a historical and negligent minority stake (19.98%) by the Bank in a corporation that became a material real corporation as a result of its controlling shareholder joining the list of material real corporations.

The sum of the civil fine imposed, is after amortization of the maximum possible rate from the original sum of approx. NIS 1,151 thousand, which the Bank Supervisor informed the Bank of the intention to impose it, in accordance with that set in the Banking Rules (Licensing) (Amortization of Civil Fine Sums), including, among other things, dur to the action the Bank took at its own initiative to locate the violation, halt it and prevent it from recurring in the future to the Supervisor's satisfaction and before the Supervisor contacted it in this matter and in light of the leniency of the facts constituting the violation and their factual circumstances, including the scope of the violation and the profit that could have been generated by it.

Engagement in insurance policy

On September 19, 2024, the Bank's Board of Directors approved, after approval by the Remuneration Committee, the Bank's engagement in a Board member and other officers liability insurance policy, for a term of 18 months as from October 1, 2024. Pursuant to Regulation 1B1 and pursuant to Regulations 1A1 and 1B(a)(5) of the Corporate Regulations (Relief for transactions with interested parties), 2000, and in accordance with the remuneration policy for officers.

The insurance policy covers, inter alia, the Bank President & CEO, the controlling shareholders of the Bank and relatives thereof. For more information see Immediate Report dated September 19, 2024, (reference no. 2024-01-604521).

Legal Proceedings

For material changes in legal proceedings to which the Bank is party, see Note 26C(9-12) to the financial statements.

Explanation and analysis of results and business standing

This chapter includes a description of material trends, occurrences, developments and changes with regard to results and business standing, including analysis of development of revenues, expenses and profit, as well as analysis of development of assets, liabilities, capital and capital adequacy. It also provides a description of results of the Bank's supervisory operating segments and operating results for holdings in major entities.

Trends, phenomena and material changes

Significant Events in the Bank Group's Business

In July 2024 a technological event occurred due to a global breakdown by CrowdStrike, which was caused by a faulty software update that negatively impacted the activity of bodies and companies across the world that use the Microsoft Windows operating system. The Bank identified the event immediately and restored the systems to full functionality and in a brief period of time, allowing full business activity and with no impact on the Bank’s customers.

General environment and impact of external factors on the Bank Group

Effects of the war

The outbreak of the Iron Swords War on October 7, 2023 caused disruptions in economic activity in Israel, including in terms of absence of employees who were drafted as reservists, and due to the shortage of foreign and Palestinian workers, especially in the construction industry; the war also had an adverse effect on private consumption and on current business activity, due to the deterioration of the security situation. In view of the geopolitical instability, the Israeli economy is experiencing economic uncertainty, which subsided in the wake of the ceasefires in the north and the south. Note that even prior to this war, there was economic uncertainty due to the Government’s plans to promote changes to the judicial system and the public disagreement with regard to this move. Since the outbreak of the war, there has been a significant increase in government spending - both in terms of defense costs, and in terms of compensation to civilians in respect of the damages of the war and looking after evacuees - all of which led to a sharp increase in the deficit rate. This occurred alongside a slowdown in the growth rate of the Israeli economy due to the war’s adverse effect on normal civilian day-to-day life.

In view of the increase in the systemic risk due to the war, the Bank increased its overall risk assessment as from the third quarter of 2023. In the opinion of the Bank, this risk level is in line with the current risk level of the Israeli economy against the backdrop of the uncertainty and its potential effect on the material risks, including credit risks, financial risks, business continuity risk, and information security and cyber risks. For more information see chapter "Risks Overview" below.

For more information about Bank actions to adopt Sderot and Kfar Aza, as well as relief and banking benefits extended to Bank customers, see chapter "Significant developments in management of business operations" above.

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Major developments in the banking sector in Israel and overseas

In recent years, the banking system has been addressing multiple major challenges:

- The outbreak of the Iron Swords War at the beginning of the fourth quarter of 2023 and the fact that it continued in 2024, resulted in wide-spread impact to economic activity and an increase in geopolitical uncertainty. Financial markets experienced high levels of volatility and the economy’s risk metrics increased. As the war broke out, banks announced a range of benefits and relief offered to their customers, designed to facilitate going through the war period and its economic implications. These benefits and relief were provided in conformity with the outline issued by the Supervisor of Banks, and even exceeded the base line stipulated by the Bank of Israel.
- Global inflation levels, which peaked in mid-2022, as recovery from the Corona crisis started, and against the backdrop of the effects of the Russia-Ukraine war also affected the Israeli economy. However, whereas the increase in global inflation slowed down in 2024, inflation in Israel was on the rise during the second half of the year. This is due to the effects of the Iron Swords War both on the supply side and on the demand side.

  In order to moderate the inflation rate, many central banks in developed nations have raised their monetary interest rates in 2022, and have taken other measures to reduce their expansive monetary policy. In 2024, many central banks started cutting interest rates in view of the slower increase in inflation rates. At the beginning of 2024, the Bank of Israel cut its interest rate by 0.25 percentage points to 4.5%. Interest rates in Israel remained unchanged throughout 2024 due to the fact that inflation rates were higher than the Bank of Israel's target range (1%-3%), and due to the need to stabilize the markets and reduce uncertainty following the effects of the war.

- Geopolitical tensions - since the outbreak of the Iron Swords War, and concurrently with the downgrading of the State of Israel's credit rating, the risk premium of the Israeli economy increased. The improvement in geopolitical conditions after a ceasefire was achieved in the north at the end of 2024 has also contributed to a decline in the risk premium, although its level remains high compared to pre-war levels. The risk of resumption of fighting in the various fronts alongside the security threat to marine shipping in the Red Sea might exacerbate geopolitical tensions in the Middle East. Furthermore, there is still considerable uncertainty with regard to increased geopolitical tension globally, in particular between Western countries and Russia and between the USA and China, which is a major risk factor that may impact the global macro-economic environment.
- In recent years, consumer transparency has grown due, *inter alia*, to banking reforms promoted by the Bank of Israel in order to improve consumers' ability to compare and to increase competition between banks:
  - In September 2022, the Bank of Israel launched a reform designed to increase information transparency for mortgage customers. As part of the reform, banks allow for a new mortgage application to be filed online; approval in principle is provided within a few days to the customer, in a uniform format; the approval in principle includes, in addition to the mortgage basket proposed by the banks, three uniform baskets with compositions specified by the Bank of Israel.
  - In October 2022, the Bank of Israel launched its interest rate transparency reform. This reform stipulates publishing the average interest rates actually offered/charged for deposits/loans by each bank. In February 2023, the information provided as part of this reporting was expanded to include breakdowns and other interest calculations. In July 2023, additional information was provided, including details of interest with respect to residential mortgages.
  - An amendment to the Banking Law came into effect in January 2024, under which banks are required to send monthly reports to customers in which they detail the amounts collected from the customers in the past month in respect, fees and commissions and interest.
- Accelerated development of digital banking, based on the online platform and increased use of mobile phones, along with regulatory relief offered by the Bank of Israel in order to promote digital activity. Along with these developments, use by households and businesses of the digital channels is consistently growing. Moreover, the increasing use of digital allows technology companies to enter into the fray of financial brokerage, while creating collaboration with the banking system.
- Competition in the household segment and in the small and medium business segments, has been growing in recent years as the banking system focused on these segments, along with a growing number of non-bank financial entities entering this arena. Separation of credit card companies from the top two banks was completed in 2019. Credit card issuers are making an effort to grow their retail credit and to expand their customer base in non-bank loyalty clubs. These effects are in addition to new regulatory directives in the following areas: Supervision of prices of banking services; initiatives to increase competition in the field of payments; elimination of barriers to account transfer between banks; promotion of the Credit Information Law and creation of a banking ID for increased transparency for consumers and for reducing information gaps; increased competition in the banking sector by encouraging entry of new competitors.
- In February 2024, the Bank of Israel issued a call for public comments on a gradual outline to provide a banking corporation license to non-banking entities, including credit card companies, which would allow them to take deposits from the public and to extend credit based there upon. In this outline, the license and banking supervision would be adapted for the required operations and the risk level associated with operations of the license applicant. The outline is designed to promote entry of additional players into the banking system and to increase competition, both for deposits and for credit.
- Digital development and technology evolution in recent years affect the financial system and modify production in the banking sector, due to growing transition to relying on advanced technology. Such technology supports a wider range of banking services available through digital channels, along with lower production cost. Given these trends, technology-based financial entities – FinTech companies and digital banks – have started making in-roads into the banking sector world-wide. The first digital bank in Israel launched operations in March 2021.
- In response to these developments, in recent years banks have been undergoing a digital transformation in order to streamline production in these areas:
  - Deployment of technology improvements for streamlining of operational processes.
  - Digitization of banking services for expanding the product offering to customers, with improved availability and quality.

- Gradual modernization of IT systems to improve response time, enhance flexibility and achieve infrastructure stability.
- Concurrently, in recent years the banking system has been taking streamlining measures to reduce headcount and real estate area at branches and headquarters. These measures include relocating banks to campuses outside of high-end real estate areas, designed to decrease rent and real estate expenses.
- Increased consumer awareness due, *inter alia*, to increased use of social media, with technology enabling easier access to information and to review of financial alternatives. Consequently, the banking world is transitioning to a focus on identifying customer needs, while applying privacy protection laws.
- The Supervisor of Banks continues to promote a project to produce a standard open banking API (Application Programming Interface). Open banking would enable, subject to customer consent, sharing of the customer's financial information. Sharing this information may improve the financial services provided to customers and may increase competition for such services.
- More extensive requirements with regard to maintaining liquidity coverage ratio and leverage ratio, in order to improve stability of the banking system. Conversely, the Supervisor of Banks allowed Israeli banks to issue bonds with loss-absorption features, as is done elsewhere around the world (contingent convertible bonds – CoCo). These bonds improve stability of the issuing bank and reduce Government support that may be required should the bank be in trouble. For more information about issue of contingent subordinated notes (Contingent Convertibles – CoCo), see chapter "Developments in financing sources" above.
- Legislation and banking regulation:
  - In March 2024, the Knesset plenum approved the "Special Payment to Achieve Budget Targets Law", whereby a special payment will be imposed on Israeli banks at a rate of 6% of their profits from activity in Israel in the period between April 1, 2024 and December 31, 2025. For more information see chapter "Corporate governance, audit, other information about the Bank and its management" in this annual report.
  - In March 2024, the Competition Authority informed the Bank that the Competition Authority Commissioner is considering exercising her power to determine that the five banking groups are a concentration group with regard to banking services provided to retail banking customers; the Commissioner is also considering issuing the banks with directives regarding deposits. The Bank was invited to present its position to the Commissioner. Such a hearing prior to a decision pertaining to the concentration group and issuance of directives was held to the Bank in October 2024. Since the hearing, the Bank did not receive any information as to the position of the Competition Authority Commissioner with regard to this issue.
  - In October 2024, it was decided to set up a taskforce, which will assess the imposition of a special tax on the banks' activity in 2026.
  - Stricter international regulation with increased cross-border enforcement, as well as matters of local taxation.

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Developments in the Israeli and global economy in 2024

Israeli economy

Economic activity in Israel recovered throughout 2024 due to the decline in the intensity of the Iron Swords War. However, levels of activity are still lower than pre-war levels. The effects of the war were still evident both on the supply side and on the demand side - on the supply side restrictions applied due to the shortage of workers as a result of extensive drafting of reservists and the ban on Palestinian workers' entering Israel. On the demand side - private consumption was affected by negative consumer sentiment in view of the security situation in Israel. In 2024, Government spending increased significantly, mainly due to an increase in defense costs. The expansionary fiscal policy together with the restrictions in the supply side contributed to an increase in inflation rate. The geopolitical uncertainty and the escalation in the military conflict in the various fronts have led to an increase in Israel's risk premium, downgrading of its credit rating and increased volatility of the NIS, until a ceasefire was agreed in the north towards the end of 2024. Following the signing of the ceasefire agreement, Israel's risk premium declined, the NIS started to strengthen and the yields on Bonds of the Government of Israel started to decline. This occurred alongside an improvement in indicators of the level of activity in the economy.

Real developments

Israel's GDP grew in 2024 by 1.0%, compared to growth of 1.8% in 2023 and 6.3% in 2022. GDP growth in the past year was characterized by significant variation between quarters against the backdrop of the Iron Swords War. GDP benefited from greater public spending due to the increase in defense expenses and from the recovery of private spending. On the other hand, investment in fixed assets and exports of goods and services declined. Despite the growth in 2024, GDP levels in the fourth quarter are still 0.7% below pre-war levels. The broad unemployment rate (ages 15 and older, original data) was 3.9% in December 2024 compared to 7.2% in December 2023. The number of vacant jobs in the economy is higher than pre-war levels.

According to forecast by the Bank of Israel Research Division dated January 2025, GDP in Israel is expected to grow by 4.0% in 2025.

Inflation and exchange rates

In 2024, the Consumer Price Index increased by 3.2% (higher than the Bank of Israel target range), further to an increase by 3.0% in 2023. During the first half of 2024, inflation was within the Bank of Israel's prices target, and amounted to 2.9% in the 12 months to June 2024. During the second half of 2024, inflation started to increase due to the restrictions on the supply side with a more rapid recovery on the demand side.

Information about official exchange rates and changes thereto:

	December 31, 2024	December 31, 2023	Change in %
Exchange rate of:			
USD (in NIS)	3,647	3,627	0.6
EUR (in NIS)	3,796	4,012	(5.4)

On February 21, 2025 the USD/NIS exchange rate was 3.567, a devaluation by 2.2% compared to December 31, 2024. On said date, the EUR/NIS exchange rate was 3.733, a 1.7% revaluation compared to December 31, 2024.

Monetary policy

In early January 2024, the Bank of Israel cut its interest rate from 4.75% to 4.50%. In view of the geopolitical uncertainty and fact that the inflation rate was around the top limit of the target range, the Bank of Israel's Monetary Committee decided to leave the interest rate at 4.50% throughout 2024. In the interest decision from January 2025 the Committee noted that the interest outline will be determined in accordance with the stabilization of economic activity, the inflation converging upon its goal and the continued stability of financial markets and fiscal policy. The forecast by the Bank of Israel Research Division, dated January 2025, estimates that the average interest rate in the fourth quarter of 2025 would be 4.0% to 4.25%.

Fiscal policy

In 2024 the Government budget recorded a NIS 136.2 billion cumulative deficit, compared to a NIS 77.1 billion cumulative deficit in the corresponding period last year. The deficit rate as percentage of GDP for the 12 months ended in December 2024 was 6.9%. Government expenses recorded an increase of 20.4% relative to the corresponding period last year. In December 2024, the Knesset passed the first reading of the government budget for 2025 amounting to NIS 609 billion, an approx. 1.7% decrease compared to the revised budget for 2024, which included a 4.4% deficit target. In January 2025 the Nagel Committee published its recommendations, which include an addition of NIS 133 billion to the defense budget over the forthcoming decade.

On October 1, 2024 the S&P rating agency announced that it was lowering the credit rating of the State of Isarel from A+ to A with a Negative Outlook. This is compared to a credit rating of AA- before the war. The credit rating was downgraded following the prolongation and expansion of the war and the escalation of the conflict with Iran. Consequently, the rating agency expects that economic growth in Israel will suffer and that the deficit rate will increase.

On September 27, 2024, rating agency Moody's announced it was lowering Israel's credit rating by two notches from A2 to Baa1 with a Negative Outlook. This is compared to a credit rating of A1 before the war. In the report published by the agency it is noted that the drivers for downgrading Israel's credit rating include, among other things: Intensification of the geopolitical risks, the absence of a budget for 2025 and ongoing social-political tensions. The agency expects that the damage to the economy will be prolonged and that long-term GDP growth rate will be adversely affected.

On August 12, 2024, rating agency S&P announced that it is lowering Israel's credit rating to A, with a Negative Outlook. This is compared to a credit rating of A+ before the war. The agency listed in its decision as reasons for the credit downgrading the prolongation of the war, the increase in geopolitical uncertainty and the increase in the deficit rate.

During January 2025 and following the ceasefire agreements in the north and in Gaza, the international rating agencies published revised reviews regarding the Israeli economy. According to the reviews, the mitigation of the security risks increases Israel's economic potential; however, at this stage no changes were made to the credit rating and the outlook, mainly due to the potential future effects of the war and the need to wait for a stabilization of the security situation.

Residential construction and the mortgage market

According to data from the Central Bureau of Statistics, the number of new apartments sold in the 11 months ending November 2024 was approx. 40.2 thousand, a 57.6% increase compared to the corresponding period last year and an 8.2% increase compared to the corresponding period in 2022. In 2024, residential mortgages extended to the public amounted to NIS 93.2 billion, compared to NIS 71.1 billion in the corresponding period last year and NIS 117.6 billion in the corresponding period in 2022 – a 31.1% increase and a 20.7% decrease, respectively. The increase in the number of apartment purchase transactions and the mortgages taken out in 2024 was affected by the stabilization of the interest environment, the increase in demand for houses due to smaller effect of the Iron Swords War on the Israeli economy and better deals offered by contractors.

According to data from the Central Bureau of Statistics, owned housing prices in the 12 months ending November 2024 increased by 7.8%, following a decrease of 1.7% in 2023 and a 16.9% increase in 2022.

Capital market

Global equity markets were highly positive in 2024, led by the stock exchanges in the USA and in Europe, compared to a stronger positive trend in key benchmarks on the Israeli equity market.
Trading on global equity markets in the fourth quarter of 2024 was positive, led by stock exchanges in the USA, compared to a very positive trend of major equity benchmarks on the Israeli market.
Below are changes to major stock indices in Israel (in percent):

Index	2024	2023	2022
Tel-Aviv 35	28.4	3.8	(9.2)
Tel-Aviv 125	28.6	4.1	(11.9)
Tel-Aviv 90	30.9	4.3	(18.3)

The average daily trading volume of shares and convertible securities in the fourth quarter of 2024 amounted to NIS 2.5 billion on average – compared to NIS 1.9 billion in the corresponding period last year. In 2024, the average volume was NIS 2.2 billion, compared to an average volume of NIS 2.0 billion in 2023.

Below are changes to major bond indices in Israel (in percent):

Index	2024	2023	2022
All-Bond general	4.9	3.8	(8.3)
Government bonds, CPI-linked	2.3	(0.4)	(9.8)
Government bonds, non-linked	3.0	1.4	(8.8)
Tel-bond 20	5.5	4.8	(10.0)
Tel-bond 40	6.1	5.8	(8.0)

Global economy

According to the IMF publication dated January 2025, global GDP growth in 2024 is expected to amount to 3.2%, and 3.3% in 2025.

In 2024, the US GDP has grown by 2.8%, following 2.9% growth in 2023 and 2.5% growth in 2022. This in light of an increase in private and public spending. The inflation rate continued to increase at lower rates in the first three quarters of 2024, reaching 2.4% in the last 12 months ended in September. During the last quarter of 2024 the inflation rate increased, reaching a level of 2.9% at the end of 2024. At the end of January 2025, the Federal Reserve left its interest rate unchanged at 4.5%. This decision was made after a cumulative 1.0 percentage point interest rate cut in the last three interest rate decisions of 2024 following slower increase in inflation rates. The Purchasing Manager index in the services sector indicated an expansion throughout most of the year, while the Purchasing Manager indexes in the industrial sector indicated a contraction. In December 2024 the Israeli unemployment rate was 4.1%, an increase compared to 3.8% in December 2023. On November 5, 2024, elections were held in the USA in which Donald Trump was elected President and the Republican Party won a majority in the Senate and the Congress. After he came into office, President Trump promoted a number of measures to impose tariffs on various countries and increase the enforcement against illegal immigration.

The Euro Zone economy grew in 2024 by 0.7%, compared to growth of 0.4% in 2023 and 3.4% in 2022. The inflation rate has been declining over the first nine months of 2024, reaching 1.7% in the 12 months to September. Since October, the CPI has been on the rise, reaching a level of 2.4% in 2024. In light of the cooling of the inflation rate, the monetary interest rate on deposits in the Euro Zone dropped by an aggregate rate of 1.0 percentage points in 2024. In January 2025, the Bank of Israel cut its interest rate by further 0.25 percentage points to 2.75%. The Purchasing Manager Index in industry sectors indicated a fast contraction in 2024, whereas the Purchasing Manager Index in service sectors indicated an expansion.

China's economy grew by 5.0% in 2024 in line with the government’s target, and compared to a 5.2% growth in 2023 and a 3.0% growth in 2022. GDP was impacted by an increase in exports and expansion of industrial production, mainly in the high-tech sectors. In order to encourage economic growth in general, and the housing market in particular, in 2024 the central bank announced a number of expedients, including the cutting the interest rates payable on mortgages and lowering the reserve ratio of the commercial banks.

Below are changes to major stock indices overseas (in percent):

Index	2024	2023	2022
Dow Jones	12.9	13.7	(8.8)
S&P 500	23.3	24.2	(19.4)
NASDAQ 100	24.9	53.8	(33.0)
DAX	18.9	20.3	(12.4)
FTSE 100	5.7	3.8	0.9
CAC	(2.2)	16.5	(9.5)
Nikkei	19.2	28.2	(9.4)

Risk events

In 2024, there were no material loss events nor events with potential for material loss.

Major and emerging risks

The Bank's business activity exposes the Bank to various financial and non-financial risks, with potential to impact the Bank's financial results or image. Top risks and evolving risks are derived from the Bank's business environment, which is impacted by the macro-economic environment, by risk associated with regulation and legislation, by changes to the business model and by social and consumer trends. In recent years, due to changes in the competitive landscape, in the consumer environment, in the regulatory environment and in technology, non-financial risks have been evolving.

As part of processes conducted by the Bank to map and identify risk, the Bank reviews major risks, existing or new, arising from developments in the Bank's business environment, which may materialize over the coming year and with potential to materially impact the Bank's financial results and stability. The Bank also identifies emerging risks, which may materialize over the longer term, with uncertainty about their nature and impact on the Bank. The risk mapping at the Bank is regularly reviewed to ensure it covers all risks associated with the Bank's business activity, or influenced by market conditions and from regulatory requirements.

Prior to the war, there was uncertainty with regard to the economy due to macro-economic conditions and Government plans to promote changes to the judicial system and the public disagreement with regard to this move. The war has increased economic uncertainty, and consequently affects the Bank's risk assessment and risk profile. Changes to risk assessment and to the Bank's risk profile are set forth below in chapter "Risks overview".

As a result of the war and the intensification of the geopolitical risks, during 2024 the international rating agencies downgraded the State of Israel’s credit rating and updated the rating outlook. The banks’ rating is influenced by the country’s rating, and the Bank’s credit rating and credit forecast was revised accordingly. For more information regarding the lowering of the State of Israel’s credit rating, see the chapter “Developments in the Israeli and global economy in 2024” above.

Below are details of material major and emerging risks identified at the Bank:

Strategic business risk – is the risk, in real time or in future, to Bank profits, capital, reputation or status, which may arise from erroneous business decisions, improper deployment of decisions by the Bank or inappropriate alignment of the Bank to changes in the business environment in which it operates. The Bank is preparing for these changes by, inter alia, adapting the banking production functions through, inter alia, increased investment in technology, so as to maintain the Bank's position as an advanced, human bank. This is material risk requiring risk management measures to be applied, assessment and early identification of events which may preclude implementation of the strategy.

Macro-economic risk – included in the occurred business risk, and refers to the state of the local and global economy, significant changes in monetary policy and in interest rate curves, market volatility and changes in prices of financial assets in Israel and world-wide and in real estate prices may potentially impact Bank operations.

Regulatory business risk – This risk refers to legislation, including legislation in process, in core banking areas, as well as new regulation and regulatory expectations of regulatory entities, whether in process or completed, which may potentially impact core banking operations.

IT risk - Technological risk is a significant risk, affected by accelerated evolution in technology and digital domains and by the need to provide response to changing customer and Bank needs, multitude of banking regulatory requirements and the need to implement technological tools within a short timeframe. The Technology Division operates to support normal Bank operations and to provide a response to current and future technology requirements for such operations.

As part of bolstering its technology infrastructure, the Bank invests heavily in technology systems, in order to address the evolving challenges in the business environment, while maintaining its differentiation as an advanced, human bank. The Bank is developing advanced tools for analyzing data and extracting information from data, in order to improve its measuring capacity and decision making, both from business marketing aspects and from risk management aspects.

Information security and cyber defense risk – Information security risk is risk arising from faults in protection of the Bank's computer systems and information stored there. Cyber risk materializes in case of an event including an attack on computer systems by or on behalf of internal or external adversaries of the Bank.
The Bank's information security team operates fully and continuously, constantly improving and bolstering defense capabilities and mechanisms, in conformity with expansion of threats and challenging needs which the Bank is required to face. In view of the war, the Bank significantly raised its alert, vigilance and readiness in order to identify and avert any cyber events. The Bank also acts to prevent fraud, by bolstering its monitoring activity to identify any suspect activity in customer accounts.

Compliance and regulatory risk – Bank business operations are subject to regulation. Compliance risk is the risk of the imposition of sanctions, material financial loss or damage to reputation, which the Bank may incur due to its failure to comply with various compliance provisions. Compliance provisions also include the following laws: ISA Enforcement Proceeding Streamlining Law (Legislative Amendments), 2011; Securities Law 1968; Mutual Investment Law, 1994; Arrangement of Engagement in Investment Consultancy, Investment Marketing and Management of Portfolios Law, 1995 (hereinafter: "the Advisory Law"); (hereinafter jointly: "securities laws") as well as the Economic Competition Law, 1988. Compliance with these laws is also handled by internal enforcement programs of securities laws and economic competition laws, respectively. Compliance risk also includes Bank compliance with fairness aspects and with the provisions of the Privacy Protection Law, 1981 and regulations promulgated thereunder. As part of the Bank's addressing this issue, the Chief Compliance Officer was appointed as the officer in charge of privacy protection.

Note that the Bank has practically zero risk appetite for compliance and regulatory risk, with regard to compliance with statutory provisions applicable to the Bank. Therefore, the Bank has determined that any deficiencies found in compliance with statutory provisions should be addressed by Bank units as a top priority. The Bank has specified a multi-annual work plan, which includes required action for reducing compliance risk.

Environmental risk and climate risk – such risks are part of ESG (Environment, Society and Governance) risks - emerging risks which are characterized with greater changes compared to other risks over time.

- **Environmental risks** are risk deriving from the Bank's potential exposure to loss due to deterioration in the borrower's financial position due to high costs incurred as a result of environmental hazards (such as air and water pollution, soil contamination), regulation concerning environmental protection, or due to the Bank being indirectly liable for an environmental hazard caused by a project funded by the Bank. Environmental risk also includes other, derived risks: reputation risk, third-party liability risk and so forth.
- **Climate risk** – risk due to increased frequency and intensity of weather events due to climate change. The Bank faces risk of financial loss or impact to its reputation, due to materialization of physical events, processes or adjustment to transition risk due to climate change. Climate risks include:
  - Transition risks, which are estimated to be long-term risk an which may derive from the adaptation to a low-carbon economy motivated by changes in regulation, legislation and government policy (such as a move to renewable energy sources, carbon taxes, improving energy efficiency and more).
  - Physical risk, that may materialize due to direct impact of extreme climate events, such as flooding, storms, heat waves, cold snaps, fires, ongoing changes that may derive from rising sea levels and temperature changes that may affect the ecological system, desertification processes and so forth.

In recent years, there has been growing awareness in Israel and world-wide of the existence and extent of financial risk due to potential impact of events and processes related to climate change. The Bank is preparing to implement Proper Conduct of Banking Business Directive 345 "Principles for effective management of climate-related financial risk", issued by the Supervisor of Banks in June 2023, and which will come into effect in June 2026.
In 2024 the Bank published a TCFD report (Task Force on Climate-Related Financial Disclosures) for 2023, presenting the Bank's assessments of effective management of climate risk. This report was created in conformity with the generally accepted global standard for such reporting and was included in the ESG report for 2023. The Bank is expected to publish a TCFD report for 2024 in the first quarter of 2025.

This information constitutes forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank's Board of Directors. These assumptions may not materialize due to factors which are not solely controlled by the Bank.
For more information, including analysis of major risks to which the Bank is exposed and an overview of their management and evolution in the reported period, see chapter "Risks Overview" as well as the 2024 Risks Report on the Bank website:
www.mizrahi-tefahot.co.il > About the Bank > Investor Relations > Financial Information.

Independent Auditor's reports

The Bank's Independent Auditor, from 1995 to date, have been Brightman Almagor Zohar & Co.
For more information about disclosure in the Independent Auditor's opinion of key audit matters, see Independent Auditors' Report to Shareholders of Bank Mizrahi-Tefahot Limited on the financial statements.

Events after the balance sheet date

- For more information about a dividend distribution with respect to earnings of the fourth quarter of 2024, see chapter "Analysis of structure of assets, liabilities, equity and capital adequacy" below and the statement of changes to shareholder equity and the Note "Events after the balance sheet date" of the financial statements.
- For more information regarding the public offering of bonds and commercial papers by Tefahot Issuance on January 29, 2025 (subsequent to balance sheet date), see developments in financing sources above.

Changes to critical accounting policy and to critical accounting estimates

The Bank's Financial Statements have been prepared in accordance with the directives and guidelines of the Supervisor of Banks. These directives largely adopt the accounting rules accepted at banks in the United States (US GAAP). The significant accounting policies are detailed in Note 1 to the financial statements and below in chapter "Policies and critical accounting estimates".
In 2024 there were no changes to critical accounting policy and to critical accounting estimates which affect the operating results in reported period.

Material developments in revenues, expenses and other comprehensive income

Net profit for the Group in 2024 amounted to NIS 5,455 million, compared to net profit of NIS 4,910 million in 2023 – an increase by 11.1%. Net profit in 2024 reflects return on equity of 18.5%, compared to 19.1% in 2023.

Analysis of developments in revenues, expenses and other comprehensive income

Net interest revenues and non-interest financing revenues[(1)] in 2024 amounted to NIS 12,388 million, compared to NIS 12,486 million in the corresponding period last year, an 0.8% decrease.

Net interest revenues and non-interest financing revenues[(1)] **from current operations** in 2024 as detailed below amounted to NIS 11,297 million, compared to NIS 11,679 million in the corresponding period last year, a 3.3% decrease.

The decrease in operating revenues in 2024 largely derives from the impact of cuts to the Federal Reserve interest rates in the USA, the interest rate cut in Israel at the beginning of 2024, and the diversion of funds from current accounts to deposits. On the other hand, the increase in the volume of activity continued – an increase of 10.0% in net loans to the public, compared to December 31, 2023. Since the beginning of 2024, financing income from operating activities has been gradually rising.

Below is analysis of development of financing revenues from current operations (NIS in millions):

	All of 2024	All of 2023	Change in %
Interest revenues, net	11,814	11,975	
Non-interest financing revenues[(1)]	574	511	
Total financing revenues	**12,388**	**12,486**	**(0.8)**
Net of:			
Effect of the Consumer Price Index	1,008	941	
Revenues from interest collected with respect to problematic debts	48	42	
Gains (losses) from bonds and shares	125	(108)	
Other effects[(2)]	(90)	(68)	
Total effects other than from current operations	**1,091**	**807**	
Total financing revenues from current operations	**11,297**	**11,679**	**(3.3)**

	2024				2023			
	Fourth quarter	**Third quarter**	**Second quarter**	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Interest revenues, net	2,753	3,156	3,220	2,685	2,689	2,959	3,181	3,146
Non-interest financing revenues[(1)]	143	60	26	345	(167)	341	250	87
Total financing revenues	**2,896**	**3,216**	**3,246**	**3,030**	**2,522**	**3,300**	**3,431**	**3,233**
Net of:								
Effect of the Consumer Price Index	(13)	439	494	88	34	212	387	308
Revenues from interest collected with respect to problematic debts	14	13	13	8	9	13	11	9
Gains (losses) from bonds and shares	49	16	16	44	(74)	(8)	18	(44)
Other effects[(2)]	(5)	(99)	(96)	110	(285)	146	53	18
Total effects other than from current operations	**45**	**369**	**427**	**250**	**(316)**	**363**	**469**	**291**
Total financing revenues from current operations	**2,851**	**2,847**	**2,819**	**2,780**	**2,838**	**2,937**	**2,962**	**2,942**

(1) Non-interest financing revenues include effect of fair value and others and revenues (expenses) with respect to linkage differentials on CPI derivatives, where the corresponding revenue is recognized as interest revenues (expenses), in conformity with accounting rules.

(2) Including the effect of accounting treatment of derivatives at fair value is due to the difference between accounting treatment of balance sheet instruments, charged to the profit and loss statement on an accrual basis (interest, linkage differentials and exchange rate differentials only), vs. derivatives measured at their fair value and revenues from early repayment commissions, cost of benefits to customers as part of the various plans, and one-time effects, if any.

Below are total financing revenues by supervisory operating segment (NIS in millions):

	For the year ended December 31		
Operating segment	**2024**	**2023**	**Change rate (In %)**
Private individuals:			
Households – residential mortgages	2,796	2,710	3.2
Households – other	3,848	3,736	3.0
Private banking	410	383	7.0
Total individuals	**7,054**	**6,829**	**3.3**
Business operations:			
Small and micro businesses	2,592	2,658	(2.5)
Medium businesses	646	647	(0.2)
Large businesses	1,333	1,189	12.1
Institutional investors	231	204	13.2
Total business activity	**4,802**	**4,698**	**2.2**
Financial management	(87)	470	-
Total activity in Israel	**11,769**	**11,997**	**(1.9)**
Overseas activity	619	489	26.6
Total	**12,388**	**12,486**	**(0.8)**

For definition of supervisory operating segments and differences between supervisory operating segments and operating segments based on the management approach – see chapter "Supervisory operating segments" below and chapter "Corporate governance, other information about the Bank and its management" on the financial statements.

Below are average balances of interest-bearing assets attributable to operations in Israel in the various linkage segments (NIS in millions):

	For the year ended December 31		
Linkage segment	**2024**	**2023**	**Change in %**
Israeli currency – non-linked	295,140	285,301	3.4
Israeli currency – linked to the CPI	85,013	81,224	4.7
Foreign currency (including Israeli currency linked to foreign currency)	17,649	14,804	19.2
Total	**397,802**	**381,329**	**4.3**
Total including activity overseas	**430,978**	**408,591**	**5.5**

Change in average balances of interest-bearing assets is primarily due to growth in loans to the public.

Below are interest spreads (the difference between interest revenue rate for assets and interest expense rate for liabilities)(1) based on average balances(2), attributed to activity in Israel, in the various linkage segments (in percent):

	For the year ended December 31		For the quarter ended December 31	
Linkage segment	**2024**	**2023**	**2024**	**2023**
Israeli currency – non-linked	1.89	2.25	1.77	2.06
Israeli currency – linked to the CPI	2.03	1.83	2.64	1.86
Foreign currency	0.53	0.89	0.04	0.66
Total	**1.75**	**1.95**	**1.66**	**1.68**

(1) Revenue and expense rates calculated for interest-bearing assets and liabilities.
(2) Average balances before deduction of provision with respect to credit losses.

Changes in interest spreads:

The decrease in interest spreads in 2024 compared to the corresponding period last year is mainly attributed to the increase in interest rates payable on financing sources and the cuts to the Federal Reserve interest rate.

The interest spread represents the difference between interest revenue rate for on-balance sheet assets and interest expense rate for on-balance sheet liabilities, excluding the effect of derivatives. Adding these revenues from derivatives would offset the decrease in the unlinked Israeli currency and foreign currency interest spread.

For composition of interest rate spreads by different criteria (activity type, linkage segment and quantity and price analysis), more information about non-interest bearing assets and liabilities and information about overseas activities, see appendix "Interest Revenue and Expense Rates" to the quarterly financial statements.

Interest revenues, net and non-interest financing revenues are impacted by the change in interest rates and by the change in activity, as reflected in balances of loans and deposits.

For details on interest rates and interest expenses of the Bank and its subsidiaries see Appendix 1 to the Financial Statements.

For more information about average balances of loans to the public and deposits from the public, and about revenues from the loan/deposit spread by operating segment, see Note 29 to the financial statements.

For more information about the impact of scenarios of changes to interest rates on interest revenues, net and on non-interest financing revenues, see chapter "Market risk and interest risk" below.

Expenses with respect to credit losses for the Group amounted to NIS 519 million in 2024, or an annualized rate of 0.14% of total loans to the public, net, compared to expenses with respect to credit losses amounting to NIS 1,463 million in the corresponding period last year.

The decrease arises from the fact that the expenses due to credit losses in 2023 mainly reflected the increase in risk levels in respect of the war and in respect of the increase in the interest rates in the economy.

For more information see chapter "Policies and critical accounting estimates" below.

Development of expenses with respect to credit losses (NIS in millions) is as follows:

	For the year ended December 31	
	2024	**2023**
Expenses for credit losses on individual basis		
Increased expenses	549	430
Decreased expenses	(302)	(215)
Total individual expense for credit losses(1)	**247**	**215**
Net accounting write-offs(2)	**218**	**237**
Expenses for credit losses on group basis:		
with respect to residential mortgages	64	247
Other	(10)	764
Total group expense for credit losses	**54**	**1,011**
Total expenses with respect to credit losses	**519**	**1,463**
Rate of the expenses with respect to credit losses as percentage of total loans to the public, net (annualized)	0.14%	0.45%
Of which: With respect to commercial loans other than residential mortgages	0.34%	1.01%
Of which: with respect to residential mortgages	0.03%	0.12%
Rate of the expenses with respect to individual provision for credit losses, as percentage of total loans to the public, net (annualized):	0.07%	0.07%

(1) Including individual provisions for customers, against which a decrease in group-based provision was recorded.
(2) Write-offs due to debts measured on a collective basis

Below are details of expenses with respect to credit losses by supervisory operating segments for the Group (NIS in millions):

Operating segments	For the year ended December 31			
			Rate of expenses with respect to credit losses	
	2024	2023	2024	2023
Private individuals:				
Households – residential mortgages	64	247	0.03	0.12
Households – other	139	324	0.51	1.21
Private banking	-	-	-	-
Total individuals	**203**	**571**	**0.08**	**0.25**
Business operations:				
Small and micro businesses	156	526	0.41	1.56
Medium businesses	74	106	0.55	0.89
Large businesses	(114)	154	(0.28)	0.43
Institutional investors	4	1	0.10	0.04
Total business activity	**120**	**787**	**0.13**	**0.94**
Financial management	1	10	-	-
Total activity in Israel	**324**	**1,368**	**0.09**	**0.43**
Overseas operations	195	95	1.82	1.06
Total	**519**	**1,463**	**0.14**	**0.45**

For definition of supervisory operating segments and differences between supervisory operating segments and operating segments based on the management approach – see chapter "Supervisory operating segments" below and chapter "Corporate governance, other information about the Bank and its management" on the financial statements.

For more information about analysis of development of loans to the public, see chapter "Analysis of developments in assets, liabilities, equity and capital adequacy" below.

For more information about analysis of credit risk, see chapter "Credit risk" below and the 2024 Risks Report, available on the Bank website.

Non-interest revenues amounted to NIS 2,907 million in 2024, compared with NIS 2,805 million in 2023, an increase by NIS 102 million.

For details of non-interest revenue components, see below.

Non-interest financing revenues in 2024 amounted to NIS 574 million, compared to NIS 511 million in 2023.

This item includes, *inter alia*, the effect of fair value, gain (loss) from activity involving bonds and securities, as well as linkage differentials for CPI derivatives and interest accrual effect (time value) inherent in derivative assets, for which the corresponding revenues (expenses) are recognized pursuant to accounting rules under Interest Revenues. See "Analysis of financing revenues from current operations" above.

Commission revenues amounted to NIS 2,060 million in 2024, compared to NIS 2,028 million in 2023, a 1.6% increase.

The increase in commission revenues in 2024 arose from an increase in activity despite a decrease in account management commissions as a result of banking relief and benefits offered to Bank customers in order to assist them during the war, and by the impact of the war on the scope of business activity.

Below is information about commissions by major commission type (NIS in millions):

	2024	2023
Account management	394	431
Conversion differences	341	349
Activities involving securities	294	241
Commissions from financing transactions	351	327
Credit cards	266	264
Credit processing[(1)]	131	145
Other commissions	283	271
Total commissions	**2,060**	**2,028**

(1) Includes the following commissions: Handling credit, foreign trade and net revenues from servicing credit portfolios.

For more information about commission revenues by commission type, see Note 4 to the financial statements.

Other revenues amounted to NIS 273 million in 2024, compared with NIS 266 million in 2023.

Other revenues include annual revenues amounting to NIS 204 million with respect to deferred credit balance, net recognized with respect to acquisition of Union Bank which is recognized on profit and loss over 5 years as from the fourth quarter of 2020.

Operating and other expenses amounted to NIS 5,222 million in 2024, compared with NIS 5,569 million in 2023, a decrease by 6.2%.

For details by operating expense component, see below.

Payroll and associated expenses amounted to NIS 3,431 million in 2024, compared with NIS 3,544 million in 2023, a decrease by 3.2%.

The decrease in expenses is mainly due to the effect of the pay agreement with the workers organization, which was included in payroll expenses in 2023.

Maintenance and depreciation of buildings and equipment amounted to NIS 992 million in 2024, compared to NIS 1,098 million in 2023, a 9.7% decrease.

Maintenance and depreciation expenses for buildings and equipment reflect the continued synergy following the Union Bank merger, included, inter alia, non-recurring asset amortization in the corresponding period last year.

For more information about expenses with respect to IT, see chapter "Analysis of developments in assets, liabilities, equity and capital adequacy" below.

Other expenses amounted to NIS 799 million in 2024, compared with NIS 927 million in 2023, a decrease by 13.8%.

The decrease in other expenses is among other things from one-time costs recorded last year, following the merger of Union Bank into the Bank.

Below is Cost-Income Ratio data[(1)] (in percent):

	2024	2023
Cost Income Ratio	35.5	37.7

(1) Total operating and other expenses to total operating and financing revenues and expenses with respect to credit losses.

Pre-tax profit for the Group amounted to NIS 8,980 million in 2024, compared with NIS 7,748 million in 2023.

The provision rate for taxes on profit in 2024 was 37.0%, compared to 34.4% in 2023.

The rate of provision to taxes from profits was influenced, among other thigs, from a special payment law passed by the Knesset in March 2024 to achieve the budgetary goals (Temporary Order – Iron Swords), 2024; for further details see Note 8 to the Financial Statements.

Bank share of after-tax profit of associates in 2024 amounted to profit with respect to associates of NIS 16 million, compared NIS 1 million in the corresponding period last year.

The share of non-controlling interest in net results of subsidiaries attributable to Bank Yahav in 2024 amounted to NIS 215 million, compared to NIS 170 million in 2023.

Net profit attributable to shareholders of the Bank amounted to NIS 5,455 million in 2024, compared with NIS 4,910 million in 2023.

Other comprehensive income – Changes to the Bank's shareholders' equity are due to Group net profit, as well as to other changes that do not impact net profit, including changes to fair value of bonds available for sale, and changes to actuarial obligations with respect to benefits to Bank employees, net of tax effect. These effects increased the Bank's shareholders' equity in 2024 by NIS 194 million, compared to a NIS 104 million increase in the corresponding period last year.

For details see Note 10 to the financial statements.

For more information about Bank Group results in the interim period, see multi-quarter information for the past two years in appendixes to the annual report.

Below is development of Group return(1) on equity(2) and ratio of Tier I equity to risk components liquidity coverage ratio(3) and leverage ratio(4) at the end of the quarter (in %):

	For the year ended December 31	
	2024	**2023**
Net profit return on equity	18.5	19.1

(1) Annualized return.

(2) Return on average shareholder equity, including "all equity instruments", as presented under reported revenue and expense rates, net of average balance of rights of external shareholders and less/plus the average balance of unrealized loss/gain from fair value adjustment of bonds held for trading and of bonds available for sale.

(3) Liquidity Coverage Ratio – ratio of total High-Quality Liquid Assets to net cash outflow. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 221, in terms of simple averages of daily observations during the reported quarter.

(4) Leverage Ratio – ratio of Tier I capital (according to Basel rules) to total exposure. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 218.

Below is data for earnings and dividends per share (ordinary share of NIS 0.1 par value) (in NIS):

	For the year ended December 31	
	2024	**2023**
Basic earnings per share	21.12	19.07
Diluted earnings per share	21.02	19.00
Dividends per share (in Agorot)	724	540

Analysis of structure of assets, liabilities, equity and capital adequacy

Assets and liabilities

Below is development of key balance sheet items of the Bank Group (NIS in millions):

	December 31		
	2024	2023	Change in %
Total assets	485,643	448,204	8.4
Cash and deposits with banks	82,644	86,550	(4.5)
Loans to the public, net	357,981	325,346	10.0
Securities	28,491	23,071	23.5
Buildings and equipment	1,852	1,531	21.0
Deposits from the public	393,383	358,553	9.7
Deposits from banks	2,599	4,571	(43.1)
Bonds and subordinated notes	36,916	37,070	(0.4)
Equity	31,292	27,461	14.0

Cash and deposits with banks – the balance of cash and deposits with banks decreased in 2024 by NIS 3.9 billion, as part of on-going management of Bank liquidity, against similar increase in securities (primarily Government bonds).

Loans to the public, net – loans to the public, net as of December 31, 2024 accounted for 74% of total assets, compared to 73% at the end of 2023. Loans to the public, net increased in 2024 by NIS 32.6 billion, an increase by 10.0%.

For more information about analysis of on-balance sheet and off-balance sheet credit risk, development of problematic debts and various risk benchmarks with regard to residential mortgages, see chapter "Risks" below and the 2024 Risks Report, available on the Bank website.

Below is data about loans to the public, net by linkage basis (NIS in millions):

	Balance as of December 31		Change	Percentage of total loans to the public, net as of December 31	
Linkage segment	**2024**	**2023**	**in %**	**2024**	**2023**
Israeli currency					
Non-linked	253,275	226,844	11.7	70.8	69.7
CPI-linked	84,048	80,674	4.2	23.5	24.8
Foreign currency, including linked to foreign currency	20,658	17,828	15.9	5.8	5.5
Total	**357,981**	**325,346**	**10.0**	**100.0**	**100.0**

Below is data about loans to the public, net by supervisory operating segment (NIS in millions):

	Balance as of December 31		Change rate
	2024	**2023**	**(In %)**
Private individuals:			
Households – residential mortgages	224,114	205,433	9.1
Households – other	27,438	26,721	2.7
Private banking	140	148	(5.4)
Total individuals	**251,692**	**232,302**	**8.3**
Business operations:			
Small and micro businesses	37,912	33,612	12.8
Medium businesses	13,532	11,871	14.0
Large businesses	40,274	35,792	12.5
Institutional investors	3,844	2,844	35.2
Total business activity	**95,562**	**84,119**	**13.6**
Overseas activity	10,727	8,925	20.2
Total	**357,981**	**325,346**	**10.0**

For definition of supervisory operating segments and differences between supervisory operating segments and operating segments based on the management approach – see chapter "Supervisory operating segments" below and chapter "Corporate governance, other information about the Bank and its management" on the financial statements.

Below are details of problematic credit risk and non-performing assets before provision for credit losses, in accordance with provisions for measurement and disclosure of non-accruing debts, credit risk and provision for credit losses in reported amounts (NIS in millions):

Reported amounts								**Credit risk[1]**
(NIS in millions)	**As of December 31, 2024**				**As of December 31, 2023**			
	Commercial	**Residential**	**Individual**	**Total**	**Commercial**	**Residential**	**Individual**	**Total**
Credit risk at performing credit rating[2]								
On-balance sheet credit risk	104,601	220,122	26,828	351,551	91,029	201,895	26,226	319,150
Off-balance sheet credit risk[3]	77,581	16,732	15,702	110,015	66,002	12,068	15,284	93,354
Total credit risk at performing credit rating	**182,182**	**236,854**	**42,530**	**461,566**	**157,031**	**213,963**	**41,510**	**412,504**
Credit risk other than at performing credit rating								
A. Non-problematic	3,956	3,101	350	7,407	4,018	2,609	337	6,964
B. Problematic accruing	1,339	-	189	1,528	2,262	-	195	2,457
C. Problematic non-accruing	2,027	2,141	83	4,251	1,487	2,153	74	3,714
Total on-balance sheet credit risk other than at performing credit rating	**7,322**	**5,242**	**622**	**13,186**	**7,767**	**4,762**	**606**	**13,135**
Off-balance sheet credit risk[3] other than at performing credit rating	1,293	-	34	1,327	1,540	-	40	1,580
Total credit risk other than at performing credit rating	**8,615**	**5,242**	**656**	**14,513**	**9,307**	**4,762**	**646**	**14,715**
Of which: Accruing debts, in arrears 90 days or longer	82	-	63	145	73	-	71	144
Total credit risk, including risk to the public[4]	**190,797**	**242,096**	**43,186**	**476,079**	**166,338**	**218,725**	**42,156**	**427,219**
Non-performing assets[5]	**2,027**	**2,141**	**83**	**4,251**	**1,487**	**2,153**	**74**	**3,714**
Total problematic on-balance sheet credit risk	**3,366**	**2,141**	**272**	**5,779**	**3,749**	**2,153**	**269**	**6,171**

(1) On- and off-balance sheet credit is stated before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower and of borrower group.

(2) Credit risk whose credit rating as of the report date matches the credit rating for new credit performance, in conformity with Bank policies.

(3) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits.

(4) On- and off-balance sheet credit risk, including with respect to derivatives. Of which: Debts, bonds, securities loaned or purchased in resale agreements.

(5) Assets not accruing interest.

- For further information regarding debts whose payment has been postponed by 180 days or more, which are not classified as problematic, see Note 30.B.1.A to the Financial Statements.

For more information about credit risk with respect to individuals (excluding residential mortgages), credit risk in the construction and real estate economic sector in Israel and residential mortgage risk, see chapter "Credit risk" below and chapter "Credit risk" of the 2024 Risks Report available on the Bank website. For more information see also Notes 13 and 30 to the financial statements.

Benchmarks for analysis of quality of loans to the public, expenses and provision for credit losses (in percent):

	As of December 31, 2024				As of December 31, 2023			
	Commer-cial	Residen-tial	Indivi-dual	Total	Commer-cial	Residen-tial	Indivi-dual	Total
Analysis of quality of loans to the public								
Non-accruing credit as percentage of total loans to the public	1.85	0.95	0.30	1.17	1.53	1.04	0.28	1.12
Non-accruing credit in arrears 90 days or longer as percentage of total loans to the public	1.92	0.95	0.53	1.21	1.60	1.04	0.54	1.16
Problematic credit as percentage of total loans to the public	3.07	0.95	0.99	1.59	3.89	1.04	1.00	1.87
Credit not at performing credit rating as percentage of total loans to the public	6.70	2.33	2.27	3.64	8.10	2.30	2.26	3.99
Analysis of expenses with respect to credit losses for the reported period								
Expenses with respect to credit losses as percentage of average balance of loans to the public	0.31	0.03	0.51	0.15	0.96	0.12	1.21	0.45
Net accounting write-offs as percentage of average balance of loans to the public	0.28	-	0.53	0.12	0.17	-	0.50	0.09
Analysis of provision for credit losses with respect to loans to the public								
Provision for credit losses as percentage of total loans to the public	2.24	0.54	2.54	1.20	2.52	0.56	2.62	1.30
Provision for credit losses as percentage of total loans to the public non-accruing	121.3	56.7	839.8	102.7	165.0	53.4	948.7	115.6
Provision for credit losses as percentage of total loans to the public non-accruing or in arrears 90 days or longer	116.5	56.7	477.4	99.3	157.2	53.4	484.1	111.3
Expense (revenue) rate with respect to credit losses from net accounting write-offs	1.10	-	0.97	1.20	5.76	-	2.42	5.06

Below is development of credit risk composition in the Group by borrower size (in percent):

	2024		2023	
Credit risk per borrower (NIS in thousands)	**Share of total Group credit risk**	**Share of total Group number of borrowers**	**Share of total Group credit risk**	**Share of total Group number of borrowers**
Up to 150	7.6	68.3	8.0	69.2
150-600	16.4	18.4	17.4	18.3
600-2,000	32.7	11.7	33.3	11.1
Above 2,000	43.3	1.6	41.3	1.4

Below is credit risk in major economic sectors with respect to borrower activity in Israel(1) (NIS in millions):

			2023	
Economic sector	**Risk On-balance sheet credit(1)**	**Percentage of total risk On-balance sheet credit**	**Risk On-balance sheet credit(1)**	**Percentage of total risk On-balance sheet credit**
Individuals (including residential mortgages)	252,739	70.8	233,263	71.5
Construction and real estate	41,534	11.6	37,824	11.5
Commerce	13,255	3.7	12,873	3.9
Financial services	15,965	4.5	10,973	3.4
Industry	9,283	2.6	10,298	3.2
Other	24,311	6.8	21,140	6.5
Total	**357,087**	**100.0**	**326,371**	**100.0**

(1) Including credit and investments in bonds by the public, and other assets with respect to derivative instruments of the public.

Credit risk is composed of on-balance-sheet risk and off-balance-sheet credit risk, which are weighted by nature of the borrower and credit type, as per Bank of Israel directives. On-balance sheet risk includes balances of loans to the public, derivative instruments purchased by the public and Group investments in public bonds. Off-balance sheet credit risk includes guarantees and transactions in off-balance sheet instruments, commitments to extend credit and un-utilized credit facilities. Total credit risk to the public for the Bank Group as of December 31, 2024 amounted to NIS 476 billion, compared to NIS 427 billion as of December 31, 2023 – an increase by 11.5%.

Below is development of key balance sheet items of the Bank Group (NIS in millions):

	December 31		Change in % compared to December 31
	2024	2023	2023
Off-balance sheet financial instruments other than derivatives:			
Unutilized debitory account and other credit facilities in accounts			
On-call, un-utilized	34,011	31,625	7.5
Guarantees to home buyers	18,671	14,612	27.8
Irrevocable commitments for loans approved but not yet granted	33,445	24,815	34.8
Unutilized revolving credit card facilities	12,928	12,416	4.1
Commitments to issue guarantees	15,376	12,514	22.9
Guarantees and other commitments	15,573	13,541	15.0
Loan guarantees	4,194	3,445	21.7
Documentary credit	272	540	(49.6)
Derivative financial instruments(1):			
Total par value of derivative financial instruments	428,888	371,739	15.4
(On-balance sheet) assets with respect to derivative instruments	5,526	6,282	(12.0)
(On-balance sheet) liabilities with respect to derivative instruments	5,123	7,367	(30.5)

(1) Includes forward transactions, swaps, options and credit derivatives. For more information see Note 28.

Securities – investment in securities increased in 2024 by NIS 5.4 billion, mainly in respect of government bonds. The increase in investment in securities is under asset and liability management by the Bank.

Below is composition of Group securities by portfolio (NIS in millions):

	Carrying amount	Amortized cost (for shares – cost)	Provision for credit losses	Gain from fair value adjustments	Loss from fair value adjustments	Fair value(1)
						December 31, 2024
Bonds held to maturity	3,624	3,624	-	9	(122)	3,511
Bonds available for sale(2)	15,721	16,034	(8)	121	(426)	15,721
Investment in shares not held for trading(3)	878	710	-	177	(9)	878
Securities held for trading(3)	8,268	8,024	-	266	(22)	8,268
Total securities	**28,491**	**28,392**	**(8)**	**573**	**(579)**	**28,378**
						December 31, 2023
Bonds held to maturity	3,600	3,600	-	2	(134)	3,468
Bonds available for sale(2)	11,373	11,891	(8)	82	(592)	11,373
Investment in shares not held for trading(3)	602	549	-	76	(23)	602
Securities held for trading(3)	7,496	7,542	-	10	(56)	7,496
Total securities	**23,071**	**23,582**	**(8)**	**170**	**(805)**	**22,939**

(1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.
(2) Gains and losses from fair value adjustments are included in shareholders' equity in "adjustments on presentation of securities available for sale at fair value".
(3) Gains and losses from fair value adjustments were charged to statement of profit and loss but not yet realized.

Below is composition of Group securities portfolio by linkage segment (NIS in millions):

	Balance as of December 31		
	2024	2023	Change in %
Israeli currency			
Non-linked	12,754	12,980	(1.7)
CPI-linked	6,119	4,330	41.3
Foreign currency (including linked to foreign currency)	8,720	5,143	69.6
Non-monetary items	898	618	45.3
Total	**28,491**	**23,071**	**23.5**

Below is composition of Group securities portfolio by issuer type (NIS in millions):

	Carrying amount as of	
	December 31, 2024	December 31, 2023
Government bonds:		
Government of Israel	23,245	19,452
US Government	1,961	583
Total Government bonds	**25,206**	**20,035**
Bonds of financial institutions in Israel:		
Total bonds of financial institutions in Israel	**799**	**776**
Bonds of banks in developed nations:		
USA	72	104
South Korea	-	74
Other	66	73
Total bonds of banks in developed nations	**138**	**251**
Corporate bonds (by economic sector):		
Rental property	552	527
Power, gas, steam and air conditioning	243	193
Mining and excavation	77	86
Construction	150	124
Industrial – chemical industry	52	58
Other	320	347
Total corporate bonds	**1,394**	**1,335**
Asset-backed corporate bonds (ABS)		
Mining and excavation	56	56
Total asset-backed corporate bonds (ABS)	**56**	**56**
Shares and other securities		
Investment in shares not held for trading	878	602
Of which: Shares for which no fair value is available(1)	582	350
Shares and other securities held for trading	20	16
Total shares and other securities	**898**	**618**
Total securities	**28,491**	**23,071**

(1) Generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer.

For more information about investments in securities and impairment of a temporary nature of securities available for sale, listing the duration of impairment and its rate out of the amortized cost, see Note 12 to the financial statements.

Buildings and equipment – The balance of buildings and equipment decreased in 2024 by NIS 321 million. The increase in buildings and equipment is due to new investments, primarily investments in technology and in the Bank campus in Lod. against current change due to depreciation.

Investments and expenses with respect to IT

Below is information about Bank Group investments and expenses with respect to IT.

Expenses with respect to IT as included on the statement of profit and loss (NIS in millions):

			2024			2023
	Software	Hardware	Total	Software	Hardware	Total
Expenses with respect to payroll and benefits (1)	386	67	453	352	78	430
Expenses with respect to use licenses not capitalized to assets (2)	219	20	239	190	18	208
Expenses with respect to outsourcing (3)	191	3	194	209	4	213
Expenses with respect to depreciation (4)	220	47	267	239	53	292
Other expenses (5)	40	7	47	34	7	41
Total expenses	**1,056**	**144**	**1,200**	**1,024**	**160**	**1,184**

Total cost with respect to IT, recognized as assets on the financial statement during the reported period

Additions to assets with respect to IT, not charged as expense (NIS in millions):

	For the year ended December 31 (reported amounts)					
			2024			2023
	Software	Hardware	Total	Software	Hardware	Total
Cost with respect to payroll and benefits (1)	13	-	13	16	-	16
Cost with respect to purchase of use licenses (2)	114	67	181	66	47	113
Cost with respect to outsourcing (3)	188	-	188	130	-	130
Total	**315**	**67**	**382**	**212**	**47**	**259**

Balance of assets with respect to IT at end of the reported year

Balance of assets with respect to IT (NIS in millions):

	For the year ended December 31 (reported amounts)					
			2024			2023
	Software	Hardware	Total	Software	Hardware	Total
Total amortized balance	752	27	779	592	93	685
Of which: With respect to payroll and benefits	39	-	39	40	-	40

(1) Includes payroll of software and hardware professionals, and payroll of other IT staff, such as: management, administrative staff and operations staff. Payroll cost added to assets includes labor cost for development of software for own use, capitalized to assets in conformity with GAAP.

(2) Expenses primarily include current software maintenance. These expenses are included on the financial statements under "Maintenance and depreciation of buildings and equipment". Additions to assets are with respect to use licenses and purchase of licenses.

(3) Expenses are with respect to software and hardware maintenance by external employees. These expenses are included on the financial statements under "Maintenance and depreciation of buildings and equipment". Additions to assets with respect to outsourcing include cost of external employees engaged by the Bank in development of software for own use.

(4) For more information about accounting policies for recognizing depreciation expenses, see Notes 1.D.9 and 16 to the financial statements.

(5) Includes expenses with respect to lease and taxes, communications, general and administrative expenses.

Deposits from the public – these account for 81% and 80%, respectively, of total consolidated balance sheet as of December 31, 2024 and as of December 31, 2023. In 2024, deposits from the public increased by NIS 34.8 billion, an increase by 9.7%. Deposits from the public include deposits from retail customers, corporations, financial institutions and others.

Below is composition of deposits from the public by linkage segment (NIS in millions):

	Balance as of December 31		Change	Percentage of total deposits from the public, net as of December 31	
Linkage segment	**2024**	**2023**	**in %**	**2024**	**2023**
Israeli currency					
Non-linked	290,010	267,198	8.5	73.7	74.5
CPI-linked	29,729	23,468	26.7	7.6	6.6
Foreign currency, including linked to foreign currency	73,644	67,887	8.5	18.7	18.9
Total	**393,383**	**358,553**	**9.7**	**100.0**	**100.0**

Below is data about composition of deposits from the public by supervisory operating segment (NIS in millions):

	As of December 31		Change rate
	2024	**2023**	**(In %)**
Private individuals:			
Households – other	133,619	130,335	0.5
Private banking	30,815	30,420	11.1
Total individuals	**164,434**	**160,755**	**2.3**
Business operations:			
Small and micro businesses	61,352	56,791	8.0
Medium businesses	14,866	14,270	4.2
Large businesses	42,312	35,612	18.8
Institutional investors	93,393	78,904	18.4
Total business activity	**211,923**	**185,577**	**14.2**
Overseas activity	17,026	12,221	39.3
Total	**393,383**	**358,553**	**9.7**

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Below is the evolution of deposits from the public for the Group by depositor size (NIS in millions):

	For the year ended December 31	
	2024	**2023**
Maximum deposit (NIS in millions)		
Up to 1	108,574	105,025
Over 1 to 10	95,547	93,024
Over 10 to 100	45,023	45,648
Over 100 to 500	36,198	37,466
Above 500	108,041	77,390
Total	**393,383**	**358,553**

Deposits from banks – the balance of deposits from banks as of December 31, 2024 amounted to NIS 2.6 billion, a decrease of NIS 2.0 billion compared to end of 2023, which derives primarily from the repayment of monetary loans.

For more information on the evolution of the composition of deposits from the public and the evolution of the composition of deposits from banks, see Notes 18 and 19 to the financial statements.

Bonds and subordinated notes– The balance of bonds and subordinated notes as of December 31, 2024 amounted to NIS 36.9 billion, a NIS 0.2 billion decrease compared to 2023. In 2024, bonds and subordinated notes were affected, among other things, by the issuance of Bonds (Series 64 - by way of expansion - and Series 70) at the total amount of NIS 4.5 billion, Commercial Papers (Series 3) at the total amount of NIS 2.2 billion, and a series of CoCo Contingent Subordinated Notes (Series 69 - by way of expansion and Series 71), in exchange for approx. NIS 1.5 billion, alongside full early repayment of Subordinated Notes (Series 50) at the total amount of NIS 1.1 billion as well as current repayments and change in the Consumer Price Index. For more information see chapter "Developments in financing sources" above.

For more information about balances of Bank Group assets and liabilities in the interim periods, see multi-quarter information in appendixes to the annual report.

Capital, capital adequacy and leverage

Shareholders' equity attributable to shareholders of the Bank – Shareholders' equity attributable to equity holders of the Bank as of December 31, 2024 amounted to NIS 31.3 billion, compared to NIS 27.5 billion as of December 31, 2023, an increase by 14.0%.

Below is composition of shareholder equity (NIS in millions):

	As of December 31		Rate of Change
	2024	2023	(In %)
Share capital and premium(1)	3,571	3,556	0.4
Capital reserve from benefit from share-based payment transactions	154	119	29.4
Cumulative other comprehensive loss(2)(3)	(215)	(410)	(47.6)
Retained earnings(4)	27,782	24,196	14.8
Total	**31,292**	**27,461**	**14.0**

(1) For more information about share issuance, see Statements of Changes in Shareholders' Equity.
(2) For more information about other comprehensive income (loss), see Consolidates Statement of Comprehensive income and Note 10 to the financial statements.
(3) Includes actuarial obligation with respect to streamlining program for employee retirement, see Notes 22 to the financial statements.
(4) For more information about development of cumulative revenues and expenses to retained earnings in the reported period, see chapter "Material developments in revenues, expenses and other comprehensive income" above.

The ratio of shareholders' equity to total assets for the Group as of December 31, 2024 was 6.44%, compared to 6.13% as of the end of 2023.

Capital adequacy

Supervisory requirement

The Bank assesses its capital adequacy in conformity with Basel rules, as stipulated in Proper Conduct of Banking Business Directives 201-211. The Bank applies the standard approach to assess exposure to credit risk, operating risk and market risk.

Total equity is composed of two tiers: Tier I capital (including Tier I equity and Tier I additional capital) and Tier II capital.

Tier I capital primarily includes capital components attributed to shareholders of the Bank (accounting capital on the books) and non-controlling interest, and is the primary loss-absorption component.

Additional Tier I capital consists of equity instruments which fulfill the requirements specified in the directives. As of December 31, 2024, the Bank had no capital instruments included in additional Tier I capital.

Tier II capital consists of the group-based provision for credit losses and CoCo (Contingent Convertible) capital instruments, which include a provision for absorbing loss of principal when the Tier I Capital ratio drops below the specified quantitative trigger level, or upon receiving notice from the Supervisor of Banks, whereby activating the provision for absorbing loss of principal is required to ensure stability of the banking corporation (a Bank "non existence" event).

For more information about issue of bonds and contingent subordinated notes (Contingent Convertibles – CoCo) in 2024, see chapter "Developments in financing sources" above.

The Bank applies provisions for capital measurement and adequacy, based on Basel III provisions, as published by the Supervisor of Banks and as incorporated in Proper Conduct of Banking Business Directives 201-211. As per instructions of the Supervisor of Banks, the Bank is required to maintain a minimum Tier I equity ratio of no less than 9% and a minimum total equity ratio of no less than 12.5% of weighted total of risk components of its balance sheet assets and off-balance-sheet items. Calculation of total capital and total risk components is set forth in the directives.

An additional capital requirement was added to the Tier I equity ratio at 1% of the residential mortgage balance as of the dates of financial statements, except for residential mortgages, which are subject to relief provided in the interim directive for addressing the Corona Virus crisis.

Consequently, the Bank's current required minimum Tier I capital ratio and minimum total capital ratio as of the report date are 9.60% and 12.50%, respectively.

Capital planning at the Bank

The Bank prepares a detailed, multi-annual capital planning forecast, taking the following into consideration: Expected growth rate of risk assets and profitability, the strategic plan, dividend distribution policy, capital and leverage targets, appropriate safety margins and other factors.

The Bank regularly monitors actual vs. forecast results, and revises the forecast as needed, considering any required action to comply with the specified capital targets.

As part of the capital planning process, the Bank reviews for existence of a sufficient capital absorption cushion to address the diverse risks associated with Bank operations, including stress scenarios.

The planning horizon is three years, during which the Bank challenges the capital planning using a range of stress scenarios that might have a significant adverse effect on Bank profitability, erode its capital and increase its risk assets. Results of the Bank's most recent capital planning indicate that the capital absorption buffer included in the minimum capital requirement in conformity with Bank of Israel directives is sufficient.

Consequently, the Bank stipulated that the Bank's target Tier I capital for capital planning would be as required by directives of the Supervisor of Banks, as noted above, including the capital requirement with respect to balance of residential mortgages, plus appropriate safety margins. The Bank's Board of Directors has specified, in capital management policy, in internal planning processes and considering the aforementioned stress scenarios and discussions held with the Supervisor of Banks as part of risk assessment processes, an internal target tier I equity ratio of at least 9.60%.

For more information see the 2024 Risks Report available on the Bank website.

Set forth below is an analysis of the sensitivity to the main factors affecting the Bank's capital adequacy:

Changes to Tier I capital by NIS 100 million would cause a 0.03% change in Tier I capital ratio.

Change in risk assets by NIS 1 billion would cause a 0.03% change in Tier I capital ratio.

Changes to the risk-free interest curve would affect the capital reserve with respect to bonds available for sale, as well as the capital reserve from adjustments for actuarial changes, which are part of supervisory capital. Accordingly, a 1% increase in risk-free interest rate would affect supervisory capital by reduction of 0.03% in tier I equity ratio.

Israel's rating affects capital ratios, primarily with respect to exposure to Government of Israel, to Israeli banks, to institutional investors and to public sector entities. According to Bank policy, the effective rating is the one provided by S&P.

In April 2024 rating agency S&P announced that it was lowering the State of Israel's credit rating from AA- to A+, following the geopolitical risks Israel is facing. The impact of the lowered rating is included in the capital ratios presented in the Financial Statements. In October 2024, S&P announced a further rating downgrade from to A+ to A, with no impact on the Bank's capital ratios.

A further decline in the rating of the State of Israel will not impact the Bank's capital ratios. It is only in the event of a two-notch decline in rating that the Tier I capital ratio and the total capital ratio will decline by 0.22% and 0.25%, respectively. As of December 31, 2024

For more information about the Board of Directors resolutions with regard to capital to risk components ratio and to dividend distribution policy, see Note 25 to the 2024 financial statements and the chapter "Analysis of composition of assets, liabilities, capital and capital adequacy" (Dividend) below.

For more information see Note 25 to the financial statements.

Below is calculation of capital adequacy ratio (NIS in millions):

	As of December 31	
	2024	**2023**
Capital for purpose of calculating the capital ratio		
Tier I shareholders' equity	31,963	28,434
Tier I capital	31,963	28,434
Tier II capital	9,097	8,366
Total capital	41,060	36,800
Weighted risk asset balances		
Credit risk	282,287	252,842
Market risks	1,675	1,957
Operational Risk	23,402	20,641
Total weighted risk asset balances	307,364	275,440

Below is development of ratio of capital to risk assets for the Group (in percent):

	As of December 31	
	2024	**2023**
Ratio of Tier I equity to risk components	10.40	10.32
Ratio of Tier I capital to risk components	10.40	10.32
Ratio of total capital to risk components	13.36	13.36
Minimum Tier I equity ratio required by Supervisor of Banks	9.60	9.60
Total minimum capital ratio required by the directives of the Supervisor of Banks	12.50	12.50
Significant subsidiaries (in %)		
Bank Yahav for Government Employees Ltd. and its subsidiaries		
Ratio of Tier I equity to risk components	12.87	11.90
Ratio of total capital to risk components	15.03	14.17
Minimum Tier I equity ratio required by Supervisor of Banks	9.00	9.00
Total minimum capital ratio required by the directives of the Supervisor of Banks	12.50	12.50

Below is composition of risk assets and capital requirements with respect to credit risk by exposure group (NIS in millions):

	As of December 31, 2024		As of December 31, 2023	
Exposure group	**Weighted risk asset balances**	**Capital requirement(1)**	**Weighted risk asset balances**	**Capital requirement(1)**
Debts of sovereigns	1,466	183	289	36
Debts of public sector entities	944	118	388	49
Debts of banking corporations	2,483	310	1,922	240
Debts of securities companies	3,294	412	963	120
Debts of corporations	101,300	12,663	89,411	11,176
Debts secured by commercial property	6,224	778	5,428	679
Retail exposures to individuals	21,648	2,706	21,098	2,637
Loans to small businesses	10,476	1,310	10,194	1,274
Residential mortgages	122,008	15,251	111,611	13,951
Other assets	11,023	1,378	10,256	1,282
Total credit risk	**280,866**	**35,109**	**251,560**	**31,444**

(1) Capital requirement in conformity with required overall minimum capital ratio of 12.5%.

Below are risk assets and capital requirements with respect to credit market risk, CVA risk and operational risk (NIS in millions):

	December 31, 2024		December 31, 2023	
Exposure group	**Weighted risk asset balances**	**Capital requirement[1]**	**Weighted risk asset balances**	**Capital requirement[1]**
Market risk	1,675	209	1,957	245
CVA risk[2]	1,421	178	1,282	160
Operational Risk[3]	23,402	2,925	20,641	2,580
Total	26,498	3,312	23,880	2,985
Total risk assets	307,364	38,421	275,440	34,429

(1) Capital requirement in conformity with required overall minimum capital ratio of 12.5%.

(2) Credit Value Adjustments – mark to market with respect to credit risk of counter-party, in conformity with Basel III provisions.

(3) Capital allocation with respect to operational risk was calculated using the standard approach.

Leverage ratio

The Bank applies the rules in Proper Conduct of Banking Business Directive 218 with regard to leverage ratio, which adopts the Basel Committee recommendations with regard to leverage ratio, stipulated in January 2014.

The leverage ratio is reflected in percent, defined as the ratio of Tier I capital to total exposures. Total exposure for the Bank is the sum of balance sheet exposures, exposures to derivatives, to financing transactions for securities and off-balance sheet items.

According to the directive, banking corporations must maintain a leverage ratio of 5% or higher on a consolidated basis.

On November 15, 2020, the Supervisor of Banks issued a circular regarding "Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)", updating Proper Conduct of Banking Business Directive 250, whereby the leverage ratio shall be at least 4.5% on a consolidated basis, compared to 5% prior to this change.

In the Supervisor of Banks' circular dated December 20, 2023, the effect of this relief was extended through December 31, 2025. A banking corporation applying this relief at the time would be required to resume the required leverage ratio prior to the interim directive within two quarters, such that upon expiration of the interim directive, the banking corporation would be subject to a minimum leverage ratio based on the actual leverage ratio or the minimum ratio applicable to the banking corporation prior to the interim directive, whichever is lower.

For more information see Note 25 to the financial statements.

Below is the Bank's leverage ratio:

	As of December 31	
	2024	**2023**
1. Consolidated data		
Tier I capital	31,963	28,434
Total exposure	529,598	487,483
		In %
Leverage ratio	6.04	5.83
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50
2. Significant subsidiaries		
Bank Yahav for Government Employees Ltd. and its subsidiaries		
Leverage ratio	7.45	6.68
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50

Dividends

Dividend distribution policy

In conformity with the resolution by the Bank Board of Directors dated February 26, 2018, it is the Bank's dividends policy to distribute dividends with respect to quarterly earnings, at up to 40% of net profit attributable to Bank shareholders, subject to Bank compliance with a ratio of Tier I capital to risk components as required by the Supervisor of Banks, and to maintaining appropriate safety margins.

Note that in conformity with the aforementioned dividends policy, the Bank may buy-back Bank shares, subject to the foregoing. Note that buy-back of Bank shares, as noted above, shall be considered a "distribution", as defined in the Corporate Law, 1999 and would therefore reduce any dividends amount to be distributed by the Bank pursuant to the dividends policy. "Distribution" pursuant to the dividends policy (both dividends distribution and share buy-back), as noted above, in conformity with Board resolutions in this regard, as passed from time to time and subject to statutory provisions, including restrictions stipulated by the Supervisor of Banks.

Note that the aforementioned dividends policy does not constitute any resolution nor commitment to make any dividends distribution, and that any "distribution" would be subject to approvals as required by law, including approval of the distribution by the Board of Directors, all at the discretion of the Board of Directors and subject to all statutory provisions.

On November 12, 2023, the Supervisor of Banks directed the banking system, due to the war forced on Israel on October 7, and the resulting significant change in economic conditions, downward revision of growth forecasts, volatility in exchange rates and on financial markets in Israel and expected increase in credit risk, the level of uncertainty was higher and therefore banks must consider, when reviewing their capital planning and deciding on dividend distributions, the war's effect on economic conditions and the implications thereof. This is so as to ensure that sufficient capital buffers are in place to address the various risks, to enable assistance to bank customers, including by extending credit to customers with repayment capacity, both as part of the support for economic activity and as part of the recovery and development efforts to follow the war period.

On March 5, 2024, the Supervisor of Banks issued a letter regarding the need to continue review of the dividend distribution policy and execution of share buy backs in the near term, due to the prolonged war and its impact on the economy.

On May 16, 2024 the Commissioner of Banks published a letter on the need to continue with a conservative and educated study of capital planning, of the dividend distribution policy and of the buybacks, while noting the capital ratios in practice and the capital cushions needed in the various possible scenarios.

Dividend distribution

Below is information about dividend distributions by the Bank since 2022 (in reported amounts):

Declaration date	Payment date	Dividends per share	Dividends as percent of profit	Total dividends paid
		(Agorot)	(In %)	(NIS in millions)
February 28, 2022	March 15, 2022	105.89	40	271.6
August 15, 2022	August 30, 2022	122.91	30	315.9
November 28, 2022	December 13, 2022	137.43	30	353.4
Total dividend distributions in 2022[1]				**940.9**
March 13, 2023	March 28, 2023	126.79	30	326.1
May 16, 2023	June 1, 2023	159.35	30	410.1
August 14, 2023	August 29, 2023	190.10	35	489.3
November 27, 2023	December 12, 2023	63.86	15	164.7
Total dividend distributions in 2023[2]				**1,390.2**
March 11, 2024	March 28, 2024	81.11	20	209.4
May 22, 2024	June 6, 2024	196.99	40	508.8
August 14, 2024	August 29, 2024	224.83	40	580.8
November 20, 2024	December 5, 2024	220.56	40	570.0
Total dividends distributed in 2024[3]				**1,869.0**

(1) Total dividends distributed with respect to 2022 earnings – NIS 995.4 million.
(2) Total dividends distributed with respect to 2023 earnings – NIS 1,273.5 million.
(3) Total dividends distributed with respect to earnings of the first nine months of 2024 – NIS 1,659.6 million.

Dividends declared with respect to earnings in the fourth quarter of 2024

On February 26, 2025, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 522.4 million, constituting 40% of earnings in the fourth quarter of 2024, in conformity with the Bank's dividend policy and after assessing the planning of the Bank's capital under the different scenarios.

The dividend amount constitutes 2,015.73% of the issued capital, i.e. 201.57 agorot per NIS 0.1 par value share. The effective date for dividends payment is March 6, 2025 and the payment date is March 13, 2025. The final dividends per share is subject to changes due to realized convertible securities of the Bank.

Other off-balance sheet activity

Below is development of off balance sheet monetary assets held on behalf of Bank Group customers, for which the Bank Group provides management, operating and/or custodial services (NIS in millions):

	As of December 31		Change rate
	2024	**2023**	**(In %)**
Securities(1)	644,458	550,807	17.0
Assets of provident funds for which the Group provides operating services	187,465	147,852	26.8
Assets held in trust by Bank Group	127,086	110,721	14.8
Assets of mutual funds for which the Group provides operating services	11,268	14,019	(19.6)
Other assets under management(2)	19,529	20,561	(5.0)

(1) Value of securities portfolios for which the Bank is custodian, held by customers, including securities of provident funds and mutual funds for which the Group provides operating services. Note that customer activity as presented includes, in addition to securities of mutual funds as aforesaid, also the value of participation units in said mutual funds held by Bank customers.

(2) Including:

–Loan balances secured by deposits whose repayment to the depositor is contingent upon collection of the loan balance. The Bank receives margin or commission revenues with respect to these balances.

– Other loans managed by the Bank, including residential mortgages managed and operated by the Bank on behalf of others.

Description of Bank Group business by supervisory operating segment

Supervisory operating segments

According to the public reporting directives regarding supervisory operating segments, the Bank is required to provide, on its financial statements, disclosure with regard to supervisory operating segments in conformity with a uniform, comparable layout specified by the Supervisor of Banks; attribution to supervisory operating segments is typically determined by the turnover volume for customers (annual sales or annual revenues).

Supervisory operating segments are divided into operating segments of individuals and operating segments of business customers other than individuals (including institutional investors and financial management of the Bank).

Individuals are defined as persons with no indebtedness to the Bank or whose indebtedness is classified as indebtedness of "individuals – residential mortgages" and "other", in conformity with definitions of credit risk classification by economic sector.

The Bank's operating segment using the "management approach" are based on customer assignment to the responsible organizational unit in the elapsed period.

However, customer attribution to supervisory operating segments is based on uniform definitions specified by the Supervisor of Banks, as set forth in Note 29 to the financial statements.

The attributes specified by management for customer assignment to the responsible division are highly correlated with supervisory definitions.

However, in some cases it may be that by the "management approach", the final assignment of the customer is based on other parameters, such as: A particular unit specializing in customer activity type or experienced gained working with the customer, which provides business and service advantages to assigning the customer to that specific division.

In view of the Supervisor of Banks' requirement to discuss and analyze, in the Report of the Board of Directors and Management, the supervisory operating segments, and due to the correlation between supervisory segments and "management approach", the segment information (both qualitative and quantitative) is concisely presented below as follows:

- Supervisory segment definition.
- Summary qualitative description of the segment (by Management Approach)
- Explanation of differences between "supervisory" definition and how business is actually managed (under "management approach").
- Segment financial results (under "supervisory approach").

For detailed description of segments, see chapter "Corporate governance" in this annual report.

Financial results by Management Approach are presented in Note 29 to the financial statements.

Below are summary financial results of supervisory operating segments (NIS in millions):

	Net profit		Percentage of total net profit	
	For the year ended December 31		For the year ended December 31	
	2024	2023	2024	2023
Private individuals:				
Households – residential mortgages	1,275	1,107	23.4	22.5
Households – other	1,181	997	21.6	20.3
Private banking	264	257	4.8	5.2
Total individuals	**2,720**	**2,361**	**49.9**	**48.1**
Business operations:				
Small and micro businesses	1,207	1,008	22.1	20.5
Medium businesses	322	298	5.9	6.1
Large businesses	863	629	15.8	12.8
Institutional investors	76	54	1.4	1.1
Total business activity	**2,468**	**1,989**	**45.2**	**40.5**
Financial management	69	348	1.3	7.1
Total activity in Israel	**5,257**	**4,698**	**96.4**	**95.7**
Overseas activity	198	212	3.6	4.3
Total	**5,455**	**4,910**	**100.0**	**100.0**

For more information about operating results in conformity with the management approach, see Note 29 to the financial statements.

Household Segment

Supervisory definition

According to the supervisory definition, the household segment includes individuals other than customers included under the private banking segment. That is to say, this segment excludes individuals with total financial assets in excess of NIS 3 million. Individuals are defined as individuals that have no indebtedness towards the Bank, or whose indebtedness is classified under "Private individuals – residential mortgages" and "Private individuals – other", in conformity with definitions for classification of credit risk by economic sector.

Summary description of the segment (by Management Approach)

The household segment consists of individual customers with low indebtedness and relatively low activity in monetary terms. Segment customers include customers with individual accounts, joint accounts of spouses and so forth, as well as mortgage customers. This segment is highly diversified and is handled by the Bank's Retail Division.

Differences between management approach and supervisory definition

- Certain individual customers classified under the private banking segment according to the management approach, are classified under the household segment according to the supervisory segment approach. The difference is primarily due to total financial assets of the customers used for customer classification – the Bank threshold for classification of customers by the management approach is NIS 1 million, lower than the supervisory definition.
- In general, individual customers are assigned to the household segment. According to the supervisory approach, individual customers with high indebtedness or with business features are classified under business operating segments, rather than under the household segment.

Developments in the household segment in this period

- In 2024, public efforts continued to promote entry of non-bank entities into competition for the household segment, and to increase competition for consumer credit. Along with the Increased Competition and Reduced Concentration in Israeli Banking Law, there are several legislative and regulatory efforts under way, resulting in increased competition in this segment, including:
  - operation of the credit information database, launched in April 2019, the project for arranging account relocation between banks, which went live in September 2021, and a project for arranging a system for sharing banking information by definition of a standard Open Banking API, which is making progress in accordance with the specified milestones.
  - Improving consumer ability to compare, through Bank of Israel reforms to increase transparency:
  - Reform designed to increase information transparency for mortgage customers, launched in September 2022.
  - Reform to increase interest rate transparency in the commercial segment, launched in October 2022. In February 2023, the information provided as part of this reporting was expanded to include breakdowns and other interest calculations. In July 2023, additional information was added for interest rates with respect to residential mortgages.
- In 2024, branch closures continued more moderately than in previous years, as did elimination of teller stations at branches of some banks, with customers referred to digital solutions. In this regard, and in conformity with legislation dated August 2016 of the Banking Law (Licensing) (Amendment no. 22), 2016 – a banking corporation wishing to close a permanent branch is required to obtain the Supervisor of Banks' approval, after submitting a written, justified request to do so. A further amendment to the law came into effect on July 25, 2024, which stipulates, among other things, that the Supervisor of Banks' decision regarding an application to close a permanent branch will be made after consultation with the Bank of Israel Licensing Committee.
- As for credit cards, regulatory changes continued, derived *inter alia* from implementation of the Increased Competition and Reduced Concentration in the Banking Market in Israel Law. In 2019, credit card issuers were separated from the banks, and in early 2023, the recommendation by the Committee for Review of Competition in the Credit Market was approved, for CAL be separated from Israeli Discount Bank no later than end of 2025. In March 2023, Clal Insurance completed the acquisition of the credit card company Max. In the last few months of 2024 several bids were made to purchase Isracard.

This information constitutes forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank's Board of Directors. These assumptions may not materialize due to factors which are not solely controlled by the Bank.

For more information and a detailed description with information about products and services, primary markets and distribution methods, business strategy and competition in this segment and changes thereto, see chapter "Corporate governance" in this annual report.

Analysis of operating results in the household segment

	For the year ended December 31					
	2024			2023		
						NIS in millions
	Other	Residential mortgages	Total	Other	Residential mortgages	Total
Profit and profitability						
Total interest revenues, net	3,848	2,796	6,644	3,736	2,710	6,446
Commissions and other revenues	682	123	805	656	119	775
Total revenues	**4,530**	**2,919**	**7,449**	**4,392**	**2,829**	**7,221**
Expenses due to credit losses	139	64	203	324	247	571
Operating and other expenses	2,237	829	3,066	2,327	893	3,220
Profit before provision for taxes	2,154	2,026	4,180	1,741	1,689	3,430
Provision for taxes	799	751	1,550	600	582	1,182
After-tax profit	**1,355**	**1,275**	**2,630**	**1,141**	**1,107**	**2,248**
Net profit (loss):						
Attributable to non-controlling interests	(174)	-	(174)	(144)	-	(144)
Attributable to shareholders of the banking corporation	**1,181**	**1,275**	**2,456**	**997**	**1,107**	**2,104**
Balance sheet – key items:						
Loans to the public (end balance)	28,111	225,294	253,405	27,397	206,562	233,959
Loans to the public, net (end balance)	27,438	224,114	251,552	26,721	205,433	232,154
Deposits from the public (end balance)	133,619	-	133,619	130,335	-	130,335
Average balance of loans to the public	26,616	215,013	241,629	26,964	202,312	229,276
Average balance of deposits from the public	134,768	-	134,768	126,823	-	126,823
Average balance of risk assets	22,814	128,007	150,821	22,128	120,257	142,385
Credit spreads and deposit spreads:						
Margin from credit granting operations	942	2,375	3,317	1,073	2,335	3,408
Margin from activities of receiving deposits	2,840	-	2,840	2,609	-	2,609
Other	66	421	487	54	375	429
Total interest revenues, net	**3,848**	**2,796**	**6,644**	**3,736**	**2,710**	**6,446**

Net profit attributable to the household segment in 2024 amounted to NIS 2,456 million, compared to NIS 2,104 million in the corresponding period last year. The increase was primarily due to an increase in interest revenues, net and a decrease in expenses with respect to credit losses.
Net profit attributable to residential mortgage operations in the household segment in 2024 amounted to NIS 1,275 million, compared to NIS 1,107 million in the corresponding period last year.
Net interest revenues from residential mortgage operations amounted to NIS 2,767 million, compared to NIS 2,710 million in the corresponding period last year. The increase was primarily due to increase in residential mortgages.
Expenses with respect to credit losses amounted to NIS 64 million, compared to expenses of NIS 247 million in the corresponding period last year.
The decrease arose from the fact that the expenses due to credit losses in the corresponding period last year mainly reflected the increase in risk levels in respect of the war and in respect of the increase in the interest rates in the economy.
Net profit attributable to household operations (other than residential mortgages) in 2024 amounted to NIS 1,181 million, compared to a profit of NIS 997 million in the corresponding period last year.
The increase is primarily due to increase in interest revenues, net, which amounted to NIS 3,848 million, compared to NIS 3,736 million in the corresponding period last year, primarily due to an increase in deposits.
The increase is also due to expenses with respect to credit losses amounting to NIS 137 million in 2024, compared to expenses of NIS 324 million last year. The decrease arose from the fact that the expenses due to credit losses in the corresponding period last year mainly reflected the increase in risk levels in respect of the war and in respect of the increase in the interest rates in the economy.
Operating and other expenses in the household segment amounted to NIS 3,066 million, compared to NIS 3,220 million in the corresponding period last year. The decrease is mainly due to the fact that in the corresponding period last year the expenses included the impact of the pay agreement with the workers' organization and one-off costs further to the merger of Union Bank into the Bank.

For more details and information about results of this segment and operating results in conformity with management's approach – see Note 29 to the financial statements.

Private Banking Segment

Supervisory definition

According to the supervisory definition, the private banking segment includes individuals whose financial asset portfolio at the Bank (including monetary deposits, securities portfolios and other financial assets) exceeds NIS 3 million.

Summary description of the segment (by Management Approach)

The private banking segment provides banking services in Israel to Israeli and foreign resident customers. Private banking is a concept of banking service for customers with high net worth, some of whose activity is part of financial asset management. Private banking customers are primarily individual customers with liquid deposits and investments in securities over NIS 3 million.

Financial advice, which is part of the service offered in this operating segment, is provided to segment customers who have signed an advisory agreement. Moreover, a solution is offered for other financial needs of these customers, while providing personal service of the highest quality and offering diverse advanced products.

This segment has the potential for expanding business relations with customers, who are from a high socio-economic ranking and who require professional, personalized service that is highly available.

Differences between management approach and supervisory definition

- Certain individual customers classified under the private banking segment according to the management approach, are classified under the household segment according to the supervisory segment approach. The difference is primarily due to total financial assets of the customers used for customer classification – the Bank threshold for classification of customers by the management approach is NIS 1 million, lower than the supervisory definition.
- According to management approach, the private banking segment also includes businesses with liquid assets in excess of NIS 8 million. According to the supervisory segment approach, these customers are classified under business operating segments.

Developments in the private banking segment in this period

Over the past year there were no material developments in markets, nor material changes in attributes of customers in the private banking segment.

For more information and detailed description with information about products and services, primary markets and distribution methods and competition in this segment and changes thereto, see chapter "Corporate governance" in this annual report.

Analysis of operating results in the private banking segment

	For the year ended December 31	
	2024	2023
	NIS in millions	
Profit and profitability		
Total interest revenues, net	410	383
Commissions and other revenues	47	48
Total revenues	**457**	**431**
Expenses due to credit losses	-	-
Operating and other expenses	38	40
Profit before provision for taxes	419	391
Provision for taxes	155	134
Net profit	**264**	**257**
Balance sheet – key items:		
Loans to the public (end balance)	141	149
Loans to the public, net (end balance)	140	148
Deposits from the public (end balance)	30,815	30,420
Average balance of loans to the public	96	165
Average balance of deposits from the public	30,161	29,332
Average balance of risk assets	50	47
Credit spreads and deposit spreads:		
Margin from credit granting operations	1	-
Margin from activities of receiving deposits	409	383
Other	-	-
Total interest revenues, net	**410**	**383**

Net profit attributable to the private banking segment in 2024 amounted to NIS 264 million, compared to NIS 257 million in the corresponding period last year. The increase was mainly due to increase in interest revenues, net, primarily due to increase in business volume.

For more details and information about results of this segment and operating results in conformity with management's approach – see Note 29 to the financial statements.

Small and micro business segment

Supervisory definition

The micro and small business segment includes businesses with annual turnover below NIS 50 million.

Summary description of the segment (by Management Approach)

The small and micro business segment is under responsibility of the Retail Division, primarily consisting of small companies and small business customers with annual turnover below NIS 10 million (micro business) or annual turnover from NIS 10 million to NIS 50 million (small business). Based on Management Approach, in some cases customers may cross the turnover threshold but still remain served by the Retail Division.

This segment has a highly diversified customer base. Given that data availability and quality with regard to customers in this segment is inferior to that of large business customers, professional care and appropriate controls are required in order to assess the customer quality for extending credit. Moreover, this segment features a high collateral rate required from customers to secure credit repayment.

Differences between management approach and supervisory definition

- According to management approach, business customers with liquid assets in excess of NIS 8 million are assigned to the private banking segment. According to the supervisory segment approach, these customers are classified under small and micro business segment based on their annual business turnover.
- Business customers currently attributed to commercial banking using the management approach and whose annual turnover is lower than NIS 30 million, are classified to the micro and small business segment using the supervisory approach.

Developments in the small and micro business segment in this period

The trend of increased competition among banks in the small business segment continued to accelerate over the past year. Moreover, several public measures were applied to promote entry of non-bank entities to lending to small businesses.

Changes to customer attributes in this segment

This segment has a highly diversified customer base and a high collateral rate required from customers to secure credit repayment.

For more information and a detailed description with information about products and services, primary markets and distribution methods, business strategy and competition in this segment and changes thereto, see chapter "Corporate governance" in this annual report.

Analysis of operating results in the small and micro business segment

	For the year ended December 31	
	2024	2023
		NIS in millions
Profit and profitability		
Total interest revenues, net	2,592	2,658
Commissions and other revenues	548	584
Total revenues	**3,140**	**3,242**
Expenses due to credit losses	156	526
Operating and other expenses	1,045	1,156
Profit before provision for taxes	1,939	1,560
Provision for taxes	718	537
Profit after tax	**1,221**	**1,023**
Net profit attributed to non-controlling interests	(14)	(15)
Net profit attributable to shareholders of the banking corporation	**1,207**	**1,008**
Balance sheet – key items:		
Loans to the public (end balance)	39,287	34,947
Loans to the public, net (end balance)	37,912	33,612
Deposits from the public (end balance)	61,352	56,791
Average balance of loans to the public	35,924	34,380
Average balance of deposits from the public	57,676	55,604
Average balance of risk assets	31,952	32,948
Credit spreads and deposit spreads:		
Margin from credit granting operations	1,257	1,372
Margin from activities of receiving deposits	1,206	1,160
Other	129	126
Total interest revenues, net	**2,592**	**2,658**

Net profit attributable to the small and micro businesses segment in 2024 amounted to NIS 1,207 million, compared to NIS 1,008 million in the corresponding period last year. The increase largely derived mainly from a decrease in expenses due to credit losses.

Interest revenues, net amounted to NIS 2,592 million, compared to NIS 2,658 million in the corresponding period last year.

Expenses with respect to credit losses amounted to NIS 156 million, compared to expenses of NIS 526 million last year. The decrease is mainly due to the fact that in the corresponding period last year the expenses included the impact of the pay agreement with the workers' organization and one-off costs further to the merger of Union Bank into the Bank.

Operating and other expenses amounted to NIS 1,045 million, compared to NIS 1,156 million in the corresponding period last year. The decrease in expenses is mainly due to the fact that in the corresponding period last year the payroll expenses included the impact of the pay agreement with the workers' organization.

For more details and information about results of this segment and operating results in conformity with management's approach – see Note 29 to the financial statements.

Medium business segment

Supervisory definition

The medium business segment includes businesses with annual turnover from NIS 50 million to NIS 250 million.

Summary description of the segment (by Management Approach)

The medium business segment primarily consists of Middle Market private and public companies, with annual turnover between NIS 30-250 million.
Customers of this segment are served by the Corporate Division of the Bank, primarily by the Business sector, which operates via four business centers located throughout Israel.
In recent years, new customers are classified under this segment in conformity with the supervisory approach – those with annual turnover over NIS 50 million and under NIS 250 million.
Segment customers operating primarily in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.
Customers of this segment, across all economic sectors, are characterized by the range of banking services they consume and by the high collateral rate required, which is typically higher than that required from customers of the business banking segment.

Differences between management approach and supervisory definition

- The commercial banking segment, according to management approach, includes businesses with turnover between NIS 30 million and NIS 250 million. This means that some commercial banking customers (under management approach) whose turnover is below NIS 50 million are classified to the micro and small business segment using the supervisory operating segments.
- In general, in recent years new customers are classified in conformity with the supervisory definition, resulting in better alignment of the management approach with the supervisory approach, as noted above.

For more information and a detailed description with information about products and services, primary markets and distribution methods, business strategy and competition in this segment and changes thereto, see chapter "Corporate governance" in this annual report.

Analysis of operating results in the medium business segment

	For the year ended December 31	
	2024	2023
		NIS in millions
Profit and profitability		
Total interest revenues, net	646	647
Commissions and other revenues	104	101
Total revenues	**750**	**748**
Expenses due to credit losses	74	106
Operating and other expenses	165	188
Profit before provision for taxes	511	454
Provision for taxes	189	156
Net profit	**322**	**298**
Balance sheet – key items:		
Loans to the public (end balance)	13,831	12,171
Loans to the public, net (end balance)	13,532	11,871
Deposits from the public (end balance)	14,866	14,270
Average balance of loans to the public	12,642	12,265
Average balance of deposits from the public	14,123	12,705
Average balance of risk assets	15,111	14,545
Credit spreads and deposit spreads:		
Margin from credit granting operations	386	388
Margin from activities of receiving deposits	210	210
Other	50	49
Total interest revenues, net	**646**	**647**

Net profit attributable to the medium businesses segment in 2024 amounted to NIS 322 million, compared to NIS 298 million in the corresponding period last year, which arose mainly from a decrease in expenses in respect of credit losses.

For more details and information about results of this segment and operating results in conformity with management's approach – see Note 29 to the financial statements.

Large business segment

Supervisory definition

The large business segment includes businesses with annual turnover in excess of NIS 250 million.

Summary description of the segment (by Management Approach)

The segment specializes in providing complete banking and financing services to the largest companies, in diverse sectors.

In recent years, new customers are classified in conformity with the supervisory approach – those with annual turnover over NIS 250 million.

Customers of this segment are served by the Corporate Division of the Bank, primarily by the Big Corporations sector.

Segment customers operating in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.

In operations of this segment, the Bank emphasizes expansion of the current customer base and improving margins by expanding operations in diverse financial areas, with high margins relative to capital, such as trading room transactions, including transactions in derivatives and other products, conducted in the trading room on behalf of customers.

Differences between management approach and supervisory definition

- Institutional investors, which according to management approach are managed under business banking, are presented as a separate segment according to supervisory operating segments.

For more information and a detailed description with information about products and services, primary markets and distribution methods, business strategy and competition in this segment and changes thereto, see chapter "Corporate governance" in this annual report.

Analysis of operating results in the large business segment

	For the year ended December 31	
	2024	2023
		NIS in millions
Profit and profitability		
Total interest revenues, net	1,333	1,189
Commissions and other revenues	205	242
Total revenues	**1,538**	**1,431**
Expenses due to credit losses	(114)	154
Operating and other expenses	282	317
Profit before provision for taxes	1,370	960
Provision for taxes	507	331
Net profit	**863**	**629**
Balance sheet – key items:		
Loans to the public (end balance)	40,630	36,286
Loans to the public, net (end balance)	40,274	35,792
Deposits from the public (end balance)	42,312	35,612
Average balance of loans to the public	39,447	33,847
Average balance of deposits from the public	40,450	37,000
Average balance of risk assets	58,051	46,011
Credit spreads and deposit spreads:		
Margin from credit granting operations	914	783
Margin from activities of receiving deposits	248	262
Other	171	144
Total interest revenues, net	**1,333**	**1,189**

Net profit attributable to the large businesses segment in 2024 amounted to NIS 863 million, compared to NIS 629 million in the corresponding period last year. The increase was primarily due to an increase in interest revenues, net and a decrease in expenses with respect to credit losses.

Financing revenues, net amounted to NIS 1,333 million, compared to NIS 1,189 million in the corresponding period last year; the increase was primarily due to increase in scope of activity.

Expenses with respect to credit losses amounted to a NIS 114 million decline in expenses, compared to expenses of NIS 154 million last year. The decrease largely derived from a decrease in expenses due to the collective provision.

For more details and information about results of this segment and operating results in conformity with management's approach – see Note 29 to the financial statements.

Institutional investors segment

Supervisory definition

This segment includes provident funds, pension funds, study funds, mutual funds, ETFs, insurance companies and stock exchange members which manage customer funds.

Summary description of the segment (by Management Approach)

This segment specializes in providing service to financial asset managers, incorporating the provision of diverse services to financial asset managers:
insurers, managers of provident funds, study funds and pension funds, managers of mutual funds, ETFs, stock exchange members and investment portfolio managers.
Segment operations include operation of the aforementioned financial assets and providing banking services to managers thereof.
Services include: asset revaluation, generating control reports, generating reports to authorities, book keeping, account management and management of provident fund member rights and calculating returns. Banking services also include credit of various types and transactions involving derivatives.
The Bank has agreements in place to provide operating services to provident fund management companies, some are an addendum to sale of provident funds previously owned by the Bank. As for mutual funds, the Bank has agreements in place to provide services to mutual fund management companies.

The department also provides comprehensive service to provident fund and mutual fund management companies.

Differences between management approach and supervisory definition

According to management approach, institutional investors are managed under business banking and under the financial management segment; According to supervisory operating segments, they are presented as a separate segment.

For more information and a detailed description with information about products and services, primary markets and distribution methods, business strategy and competition in this segment and changes thereto, see chapter "Corporate governance" in this annual report.

Analysis of operating results in the institutional investors segment

	For the year ended December 31	
	2024	**2023**
		NIS in millions
Profit and profitability		
Total interest revenues, net	231	204
Commissions and other revenues	58	51
Total revenues	**289**	**255**
Expenses due to credit losses	4	1
Operating and other expenses	165	171
Profit before provision for taxes	120	83
Provision for taxes	44	29
Net profit	**76**	**54**
Balance sheet – key items:		
Loans to the public (end balance)	3,852	2,851
Loans to the public, net (end balance)	3,844	2,844
Deposits from the public (end balance)	93,393	78,904
Average balance of loans to the public	4,267	1,104
Average balance of deposits from the public	83,815	68,801
Average balance of risk assets	1,529	1,660
Credit spreads and deposit spreads:		
Margin from credit granting operations	37	23
Margin from activities of receiving deposits	189	176
Other	5	5
Total interest revenues, net	**231**	**204**

Net profit attributable to the institutional investor segment in 2024 amounted to NIS 76 million, compared to NIS 54 million in the corresponding period last year.

Interest revenues, net amounted to NIS 231 million, compared to NIS 204 million in the corresponding period last year.

For more details and information about results of this segment and operating results in conformity with management's approach – see Note 29 to the financial statements.

Financial management segment

Supervisory definition

The financial management segment includes trading operations, asset and liability management and non-banking investments.

Trade operations – Investment in securities held for trading, market making operations for securities, operations involving derivatives not designated as hedges and which are not part of asset and liability management for the Bank, borrowing of securities for trading, short selling of securities, underwriting services for securities.

Nostro activity – management of Bank investments in securities.

Asset and liability management – including investment in bonds available for sale and in bonds held to maturity, hedging using derivatives, ALM hedging, currency hedging of investments overseas.

Real investments – Investment in shares available for sale and in associated companies of businesses.

Other financial management operations – management, operation, trust and custody services for banks, sale and management of loan portfolios.

Summary description of the segment (by Management Approach)

Financial management at the Bank is carried out by the Finance Division. The financial management segment operates in Israel and overseas, in several major areas: management of all Bank assets and liabilities, management of the bond portfolio, management of market risk exposures, liquidity management and Bank operations in the trading room on money and capital markets, in conformity with management viewpoint as to management of these activities.

Asset and liability management activities are carried out by the financial management sector, including management of sources and uses, market risk exposures – including management of liquidity, basis and interest risk, management of fund transfer prices ("FTP"), pricing of special financial transactions and management of the bond portfolio.

Trading is conducted by the trading room, including all Bank transactions in foreign currency, options, interest rate derivatives, securities in Israel and overseas and financial assets, where the counter-parties to these transactions are entities in Israel and overseas.

Nostro activity is conducted by a unit specialized in management of strategies for investment in securities on behalf of the Bank.

The division includes a unit tasked with managing relations with financial institutions and investors. This unit is responsible for all activities with overseas banks, including management of correspondent accounts, obtaining and providing diverse services and developing activities in support of Bank customer needs.

Segment activities are subject to the risk management policy applicable to this segment, and to limits imposed by the Board of Directors and management as to various exposure levels.

This segment also includes Bank activities in securities for the Bank itself (in the portfolio available for sale and in the portfolio held for trading). These activities include aligning the portfolio structure and composition with the business environment, with the state of capital markets in Israel and overseas, with limits on risk assets, while maintaining appropriate revenues and creating an anchor for future long-term revenues, within the risk appetite specified by the Board of Directors.

Differences between management approach and supervisory definition

According to management approach, institutional investors are managed under the financial management segment; According to supervisory operating segments, they are presented as a separate segment.

Developments in the financial management segment in this period

In 2024, segment activity was affected by the following:

- Revenues and expenses due to changes related to market curves in Israel and world-wide.
- Higher inflation in Israel and world-wide.

For more information and a detailed description with information about products and services, primary markets and distribution methods, business strategy and competition in this segment and changes thereto, see chapter "Corporate governance" in this annual report.

Analysis of operating results in the financial management segment

	For the year ended December 31	
	2024	**2023**
		NIS in millions
Profit and profitability		
Total interest revenues, net	(661)	(41)
Non-interest financing revenues	574	511
Commissions and other revenues	545	460
Total revenues	**458**	**930**
Expenses due to credit losses	1	10
Operating and other expenses	330	374
Profit before provision for taxes	127	546
Provision for taxes	47	188
After-tax profit	80	358
Share of banking corporation in earnings of associated companies	16	1
Net profit before attribution to non-controlling interests	96	359
Net profit attributed to non-controlling interests	(27)	(11)
Net profit attributable to shareholders of the banking corporation	**69**	**348**
Balance sheet – key items:		
Average balance of risk assets	20,852	16,442
Credit spreads and deposit spreads:		
Margin from credit granting operations	-	-
Margin from activities of receiving deposits	-	-
Other	(661)	(41)
Total interest expenses, net	**(651)**	**(41)**

Net profit attributable to the financial management segment in 2024 amounted to NIS 69 million, compared to NIS 348 million in the corresponding period last year.

Financing revenues amounted to a NIS 87 million expense, compared to a NIS 470 million income in the corresponding period last year. The decrease stemmed mainly from the impact of cuts to the Federal Reserve interest rates in the USA, the interest rate cut in Israel in the first quarter of 2024, and the diversion of funds from current accounts to deposits.

See also analysis of developments in financing revenues, under chapter "Material developments in revenues, expenses and other comprehensive income".

For more details and information about results of this segment and operating results in conformity with management's approach – see Note 29 to the financial statements.

Operating results overseas

Supervisory definition

Overseas activity of the Bank is presented separately, divided into activity by individuals and business activity.

Summary description of the segment (by Management Approach)

The Bank Group's international operations primarily include providing banking services to businesses overseas. The Group's international operations include: personal banking services, foreign trade financing local credit for purchase of real estate; financing for high-tech companies, commercial financing and participation in syndicated lending.

Differences between management approach and supervisory definition

Business customers and individual customers at overseas branches are presented as a separate segment under supervisory operating segments, and according to management approach are managed under different operating segments – primarily private banking and corporate banking.

Developments in the overseas operations segment during the reported period

In recent years, competition with affiliates of Israeli banks overseas has subsided. Furthermore, global regulatory changes have resulted in a change in business focus and changes to customer preferences.

For more information and a detailed description with information about products and services, primary markets and distribution methods, business strategy and competition in this segment and changes thereto, see chapter "Corporate governance" in this annual report.

Analysis of operating results of overseas operations

	For the year ended December 31	
	2024	**2023**
		NIS in millions
Profit and profitability		
Total interest revenues, net	619	489
Commissions and other revenues	21	33
Total revenues	**640**	**522**
Expenses due to credit losses	195	95
Operating and other expenses	131	103
Profit before provision for taxes	314	324
Provision for taxes	116	112
Net profit	**198**	**212**
Balance sheet – key items:		
Loans to the public (end balance)	10,948	9,052
Loans to the public, net (end balance)	10,727	8,925
Deposits from the public (end balance)	17,026	12,221
Average balance of loans to the public	9,797	7,701
Average balance of deposits from the public	14,149	10,071
Average balance of risk assets	12,588	9,810
Credit spreads and deposit spreads:		
Margin from credit granting operations	354	273
Margin from activities of receiving deposits	107	109
Other	158	107
Total interest revenues, net	**619**	**489**

Net profit attributable to the overseas operations segment in 2024 amounted to NIS 198 million, compared to NIS 212 million in the corresponding period last year.

The decrease in profit was primarily due to the increase in expenses for credit losses.

Interest revenues, net amounted to NIS 619 million, compared to NIS 489 million in the corresponding period last year; the increase was primarily due to increase in scope of activity. The increase in deposits is due, *inter alia*, to expansion of the range of recruitment channels at overseas affiliates.

It is noted that approx. NIS 5.0 billion out of the credit amounts associated with the Bank's overseas activity were handled by the business operating segments in Israel but were provided in practice by the Bank's affiliate in Los Angeles.
Expenses for credit losses increased, amounting to NIS 195 million, compared to NIS 95 million in the corresponding period last year.
For more details and information about results of this segment and operating results in conformity with management's approach – see Note 29 to the financial statements.

Principal investee companies

Contribution of investee companies to net operating profit in 2024 amounted to NIS 438 million, compared to NIS 384 million in 2023.

See below for details of the effect of investees. For more information see Note 29 to the financial statements (Operating Segments and Geographic Regions).

Bank Yahav for Government Employees Ltd. (hereinafter: "Bank Yahav")

Bank Yahav is a banking corporation, operating in conformity with a Bank license pursuant to provisions of the Banking Law (Licensing), 1981.
Bank Yahav's contribution to Group net profit in 2024 amounted to NIS 215 million, compared with NIS 170 million in 2023. Net profit return on equity for Bank Yahav amounted in 2024 to 16%, compared to 14.5% in 2023.
Bank Yahav's balance sheet total as of December 31, 2024 amounted to NIS 37,615 million, compared to NIS 37,188 million as of December 31, 2023, an increase by 1.1%. The balance of loans to the public, net as of December 31, 2024 amounted to NIS 11,956 million, compared to NIS 11,788 million as of December 31, 2023, an increase by 1.4%. The balance of deposits from the public as of December 31, 2024 amounted to NIS 32,973 million, compared to NIS 33,060 million as of December 31, 2023, a 0.3% decrease.

Tefahot Insurance Agency (1989) Ltd. (hereinafter: "Tefahot Insurance agency")

Tefahot Insurance agency is an insurance agency wholly-owned by the Bank, engaged in sale of life insurance and property insurance policies to mortgage customers of the Bank. Net profit of Tefahot Insurance Agency in 2024 amounted to NIS 89 million, compared to NIS 85 million in 2023.

Mizrahi Tefahot Leasing Ltd. (hereinafter: "Leasing")

Leasing is a company engaged in providing financial leasing services and extending loans to retail customers – car buyers.
The contribution to Group net profit in 2024 amounted to NIS 89 million, compared to NIS 66 million in the corresponding period last year.

Other investee companies operating in Israel

Other investee companies operating in Israel, wholly controlled by the Bank and supported by Bank infrastructure, contributed to the Bank's net profit in 2024 NIS 19 million, net – compared to loss of NIS 11 million in the corresponding period last year.

Investments in shares

The Bank manages nostro investments in shares. Shares in which the Bank invested are presented as shares not held for trading and as shares and other securities in the Bank's securities portfolio and under investment in associated companies, where the Bank has a material investment in such entity.

Nostro investments and investments in investees are primarily carried out by Mizrahi Tefahot INVEST Ltd., an investment company wholly owned by the Bank, engaged in investment of funds and/or sale of interest in corporations, development, brokerage and advice on investments as well as operation and management of corporations.

These investments (which are not negotiable and have no available fair value), generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer. Other investments (negotiable and with fair value available) are presented at market value thereof, and unrealized changes to fair value are recognized on the statement of profit and loss.

Bank Group investments in shares as of December 31, 2024 amounted to NIS 1,162 million, compared to NIS 860 million as of December 31, 2023, as follows:

	As of December 31	
	2024	**2023**
	NIS in millions	
Under "securities not held for trading":		
Participation units in equity funds	104	94
Negotiable investments	270	226
Investments in corporations presented on cost basis	505	282
Total under "securities not held for trading"	**879**	**602**
Shares held for trading	20	16
Total under "securities held for trading"	**20**	**16**
Investments in associated companies	263	242
Total under investment in associates	**263**	**242**
Total investment in shares	**1,162**	**860**

Bank net investment in shares as of December 31, 2024 included unrealized gains of NIS 146 million compared to unrealized gains of NIS 28 million in 2023.

For more information about investment in shares held for trading and shares not held for trading, See Note 12 to the financial statements.

Risks overview

Overview of risks and manner of managing them

The outbreak of the Iron Swords War on October 7, 2023 caused disruptions in economic activity in Israel, including in terms of absence of employees who were drafted as reservists, and due to the shortage of foreign and Palestinian workers, especially in the construction industry; the war also had an adverse effect on private consumption and on current business activity, due to the deterioration of the security situation. In view of the geopolitical instability, the Israeli economy is experiencing economic uncertainty, which subsided in the wake of the ceasefires in the north and the south.

The Bank's business activity exposes the Bank to various financial and non-financial risks, whose materialization has potential to impact the Bank's financial results or image. Top risks and evolving risks are derived from the Bank's business environment, which is impacted by the macro-economic environment, by risk associated with regulation and legislation, by changes to the business model and by social and consumer trends. In recent years, due to changes in the competitive landscape, in the consumer environment, in the regulatory environment and in technology, non-financial risks have been evolving.

As part of processes conducted by the Bank to map and identify risk, the Bank reviews major risks, existing or new, arising from developments in the Bank's business environment, which may materialize over the coming year and with potential to materially impact the Bank's financial results and stability. The Bank also identifies emerging risks, which may materialize over the longer term, with uncertainty about their nature and impact on the Bank. The risk mapping at the Bank is regularly reviewed to ensure it covers all risks associated with the Bank's business activity, or influenced by market conditions and from regulatory requirements.

The impact of the war on the risk assessments and the possible increase in risk, were presented starting from the third quarter of 2023. The assessed risk in borrower and collateral quality increased in the third quarter of 2023, reflecting concerns about increases in business credit risk – even though there are no indications of an increase in risk. The Bank's risk profile and risk assessments for the fourth quarter of 2024 remained unchanged compared to assessments issued in the third quarter of 2024, this is despite the fact that in the fourth quarter economic activity in Israel has started recovering, due to, among other things, the ceasefire agreement in the north.

As stated above, despite of the improvement in economic activity in Israel, risk assessments remain unchanged and reflect the economic uncertainty arising from developments in the macroeconomic environment, the effects of the imposition of taxes by the government on Israeli households and businesses, as well as the geopolitical uncertainty in connection with the stability of the ceasefires in the north and in the south.

The Bank continues to monitor developments and their effects on economic activity and, consequently, on Bank activity and various risk aspects, and will revise the risk assessments accordingly.

Note that the assessment of other risks, prior to the war, reflects uncertainty which about the economy, with regard to the global geo-political effects, the state of the global and local economies and changes to the macro-economic environment, as well as the high interest environment and implications thereof, as well as uncertainty regarding the Government's plans to promote changes in the legal system and the public dispute concerning these.

Risks description

The Bank is engaged in commercial banking operations (business and retail) and in mortgage operations, where the Bank is a leader in the Israeli banking system.

Credit risk is the primary risk faced by banking corporations in the course of their business. At the Bank, credit risk is primarily due to retail credit operations, mainly residential mortgages, which are typically associated with relatively low risk. The Bank monitors and manages risk in the loan portfolio using various tools, including by development and deployment of internal models for assessment of customer credit ratings. For more details see chapter "Credit risk" below.

In the business sector, the Bank operates while regularly assessing risk at customer level, at sector level and for the economy as a whole (sector concentration). Operations in this area have been affected in recent years by expanded operations of institutional investors and insurance companies, which are focused on providing large-scale credit for long terms.

The Bank maintains appropriate liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets. In conformity with the Supervisor of Banks' directives, the minimum regulatory required liquidity coverage ratio is 100%. The Bank maintains high liquidity ratios with appropriate safety margins and maintains a stable source structure.

The Bank has low exposure to overseas operations, as are its operations in nostro investments, primarily designed for investment of excess liquidity in high-quality assets with minimal credit risk.

Information security risk is risk arising from faults in protection of the Bank's computer systems and information stored there. Cyber risk materializes in case of an event including an attack on computer systems by or on behalf of internal or external adversaries of the Bank.

Technological risk is a significant risk, affected by accelerated evolution in technology and digital domains and by the need to provide response to changing customer needs, legacy core systems, multitude of banking regulatory requirements and the need to implement technological tools within a short timeframe. The Technology Division operates fully in support of normal Bank operations and in providing a response to current and future technology requirements for such operations.

The Bank has in place an extensive framework for management and control of the risks to which the Bank is exposed, including an organizational structure supporting management and control of such risks. The Bank operates in conformity with regulatory requirements with regard to risk management and control, and in conformity with the Supervisor of Banks' Proper Conduct of Banking Business Directives, and in particular with Proper bank Management Directive 310 "Risks Management", which is based on the Basel Committee recommendations, which specifies the principles for risks management and control in the Israeli banking system and stipulates the standards required of the banks for creating their risks management and control framework in line with regulatory requirements, the Bank's risk appetite, risk strategy and its business targets. These principles include, inter alia: proper involvement of management and of the Board of Directors in risk management, tools for risk identification and measurement, control and monitoring processes and the measures for risk mitigation. All Bank policy documents for risk control and management are based on these principles.

Risk management at the Bank Group is conducted based on an overview of Bank activity in Israel and at overseas affiliates, in conformity with regulatory requirements and in order to support achievement of the Group's strategic targets, while taking risk judiciously and maintaining a risk level in line with the overall risk appetite specified by the Bank Board of Directors. The Bank's Board of Directors and the Board Risks Management Committee are responsible for setting the overall risk management strategy and for supervising the risk management framework at the Group, for determination of the Bank's risk appetite, approval of the risk management and control framework consistent with the risk appetite framework and setting principles in specific policy documents for risk management for each risk, to guide the Bank in its day-to-day operations. The Board of Directors is responsible for guiding, supervising and controlling management actions and for ensuring that management takes the required actions to identify, manage, measure and mitigate risk, ensures that clear areas of responsibility and reporting paths are in place at the Bank, instills an organizational culture supportive of risk management which includes implementation of high standards of professional behavior, integrity and fairness, ensuring that the Bank is operating in compliance with the Law and regulation.

Bank management is tasked with ensuring that Bank operations are in conformity with the business strategy and targets specified and approved by the Board of Directors and within the risk appetite specified by the Board of Directors. Management is responsible for regularly managing the material risks facing the Bank. Each Risks Officer, in his own area, is responsible for implementation of the principles specified by the Bank Board of Directors for addressing the risks they manage. Management is responsible for formulating risks management policy, setting limits and guidelines, deployment and implementation of risks management and control processes, reporting on the risk profile in the normal course of business and under stress scenarios, and approval of new products and activities prior to the launch thereof.

The Bank has a structured process in place for mapping and identification of risks associated with Bank operations, based on a materiality threshold, expressed in terms of percentage of Bank capital. Guidelines for handling of material risks, as identified and mapped, including risk appetite, measurement, management and mitigation of each risk, are included in special policies documents.

Risk appetite and risks management

Risk appetite defines the overall risk level which the Bank is willing to assume and constitutes a oversight ruling. Risk appetite specifies where the Bank wishes to be in terms of return (proceeds/reward) vs. risk (cost) from a forward-looking viewpoint. Risk appetite is defined in qualitative and quantitative terms in the normal course of business and under stress scenarios, and is based on the risk strategy and on basic principles of the Bank Group's business and strategic plan, on the required liquidity and capital for achieving the strategic objectives.

Risk tolerance is a specific setting of risk limitations for all risks to which the Bank is exposed. Risk values are assessed by a range of qualitative and quantitative benchmarks, in support of achieving the business goals, while keeping the Bank within the overall limits of the specified risk appetite and subject to strict regulatory restrictions. These risk restrictions, on aggregate, reflect the Bank’s risk appetite and the overall risk level which the Bank is willing to assume.

Efficient, comprehensive risk management is a major pillar for ensuring bank stability over time. The Bank’s risk management strategy is designed to identify, manage, monitor, quantify, avoid or mitigate all material risks associated with Bank operations and to support achievement of its business objectives. The Bank's business activity is exposed to various material financial and non-financial risks, whose materialization has potential to impact the Bank's financial results or image. The Bank has classified the following risks as material risks: Credit and centralization risk, financial risks that include the liquidity risk and the market and interest risks, compliance and regulatory risk, operational risks including IT risk, information and cyber security risk, legal risk, human capital risk, model risk and other risks directly managed as part of business management at the Bank, such as: Reputational risk, climate and environmental risks, strategic business risk and regulatory business risk.

Use of stress scenarios in risk management

Stress scenarios are risk management tools used to assess Bank exposure to risks, both currently and from a forward-looking viewpoint. Stress scenarios allow the Bank to understand the impact of various stress events on Bank stability and provide a supporting tool for making business decisions. Stress scenarios are an additional integral tool to approaches, benchmarks and models used in risk management.

Objectives of stress scenario analysis at the Bank:

- Review the financial stability and the potential damage that may arise from materialization of a stress event.
- Review Bank sensitivity to unusual events.
- Assess materiality of various risks.
- Challenge the risk appetite and the capital planning.
- Identify material risk concentrations and weaknesses in the portfolio.
- Assessing capital adequacy.

The Bank has a diverse range of methodologies for conducting stress scenarios, calculated to assess the potential impact of various risks to the Bank's business and financial targets: Overall systemic scenarios for the entire Bank Group and scenarios for individual risk / risk factor. The Bank adapts the range of scenarios based on financial, political and geo-political developments in the local and global business environment. Moreover, in accordance with guidance from the Supervisor of Banks, the Bank applies a uniform systemic stress scenario. Scenarios are calculated on daily / monthly / quarterly / annual basis, as the case may be. Assumptions for the scenario, its methodology and outcome are discussed and approved by appropriate forums and committees.

Systemic scenario – uniform stress test

In line with customary world-wide practice, the Supervisor of Banks conducts a uniform macro-economic stress scenario for the banking system, designed to test systemic and individual financial stability in a different macro-economic environment and risk concentrations the banking system is exposed to.

In April 2024 the Bank Supervisor published a uniform macroeconomic stress scenario in which the Iron Swords war escalates and becomes a regional war in 2024. The intensification of the war has led to a sharp increase in uncertainty and a drop in economic activity, the GDP has shrunk, unemployment has increased and the Bank of Israel has raised interest rates. The country's risk premium increased, leading to a sharp drop in the country’s credit rating. The results of the systemic stress scenario were calculated based on data for the end of 2023 and submitted by the banks in July 2024. According to the results, in this stress scenario as well, the Bank retains its robustness and stability throughout the scenario period, while maintaining appropriate regulatory capital and leverage ratios.

In February 2025, the Supervisor of Banks published a uniform stress scenario for 2024 - a system-wide scenario for the banking system. The results of the scenario will be reported to the Supervisor of Banks during the first half of 2025.

ICAAP process (Internal Capital Adequacy Assessment Process)

ICAAP is a process for self-assessment of capital needs (assessment of capital in Pillar 2 in conformity with the Bank of Israel’s guidance based on the Basel Committee directives), designed to ensure that overall capital at the Bank is in line with its risk profile, specified capital targets and business targets, in conformity with the work plan and with current capital planning. This is done both in the normal course of business and under stress scenarios. Moreover, Pillar 2 includes qualitative assessment processes for the level of various risks, the quality of their management, and identification of risk concentrations material for the Bank.

The ICAAP document is extensively discussed and approved by Bank management, Board committees (Risks Management Committee and Audit Committee) and by the Board of Directors plenum. The 2024 ICAAP document was submitted to the Bank of Israel at the end of 2024.

The ICAAP document includes qualitative and quantitative references to all risk aspects at the Bank from a Group perspective: Concise qualitative and quantitative analysis of material risks to the Bank, the capital targets, current risk profile and outlook of the Bank for 2024, developments during the year in conformity with the risk self-assessment process, assessment of the impact of anticipated developments on various risks and presentation of the Bank's overall risk map.

Capital planning is carried out for a period of three years, and is used to calculate the required capital allocation with respect to each of the risks, from the requirements specified in Pillar 1 with additional capital required with respect to Pillar 2. Pillar 2 includes capital allocation for risks not included in Pillar 1, such as: Credit concentration risk and interest risk in the banking portfolio and additional capital allocations with respect to risks included in Pillar 1, but the Bank assumes require additional capital allocation. The capital allocation is calculated both for normal conditions and for stress scenarios. The stress scenarios are intended to ensure that the Bank has sufficient capital cushions to survive even stressed scenarios, with high impact and very remote likelihood of materializing, and that the Bank is in compliance with the limit on Tier I equity ratio for the stressed scenario – minimum Tier I equity ratio of 6.5%.

The annual self-assessment process at the Bank to review capital adequacy indicates that the Bank has sufficient capital to face the various risks associated with Bank operations, both in the normal course of business and under stress scenarios throughout the planning period. Furthermore, the Bank has available total capital higher than the total capital required by ICAAP, even after applying stress scenarios and a stressed scenario. Moreover, that Tier I capital ratio under the stress scenario, for each year of the scenario period, does not drop below 6.5%. Note that in the ICAAP results show that the Bank had a significant excess capital buffer due to the mortgage portfolio, for which the regulatory capital allocation is significantly higher than global common practice, also with regard to allocation in accordance with the Basel IV Directive in its existing format.

Risks Document

The quarterly risks document is a report used as a significant primary tool by management and by the Board of Directors to maintain effective monitoring of Bank operations and compatibility of the risk profile with the specified risk appetite and risks management framework. This document presents developments in the current and future risk profile vs. risk appetite, with reference to material and emerging risks in the banking world, risk meters showing the risk values compared to specified limits, reporting of exceptions and actions taken by management's to return to the outline, results of stress scenarios and forward-looking analysis to review Bank stability, material lessons learned with regard to various risks, monitoring of Bank activities to bolster the effectiveness of risk management and control, and material issues raised in the ICAAP process, and other quantitative / qualitative information with regard to anticipated developments at the Bank and/or in the banking system, including new regulations.

For more information see the 2024 Risks Report available on the Bank website.

Risk factor severity

The Bank has specified a framework for risks management and control by the Group, which includes mapping of material risks, as well as definition of Risk Owners for all risks. For each risk, the Bank estimates its potential impact on business operations over the coming year.
The table below lists the risk factors, executives appointed as Risk Owner for each one and management assessment of the impact of each risk factor, on a scale of five risk levels: Low, Low-medium, Medium, Medium, Medium-High and High.
The risk assessment for each risk and examination of their materiality level is reviewed as part of the ICAAP process (a self-assessment of capital adequacy) in the annual assessment process, the RAS (Risk Assessment System), which is a uniform methodological process adapted to regulatory requirements, in which the overall risk levels, management quality and risk profile for all material risks at the Bank are specified. This is based on risk benchmarks, qualitative parameters and subjective assessments.
Furthermore, on a quarterly basis, in line with results of the Bank's annual ICAAP process, an up-to-date risk assessment is carried out for each of the risks in accordance with the actual risk profile, which includes the assessment of quantitative and qualitative indices, developments in the business environment and macroeconomic environment, and the existence of appropriate management and monitoring processes and emergency plans for dynamic, rapid response designed to minimize damage upon materialization of events. The up-to-date risk assessments are extensively discussed by Bank management and Board of Directors.
Despite the improvement in economic parameters and in the security situation following the ceasefire in the north and the suspension of fighting in the south, and despite the fact that no material changes were observed in the different risk metrics, the Bank has not changed its risk assessments, and they reflect the uncertainty as to the stability of the security situation in view of the ceasefires and their effect on the economic activity.
Set forth below is a mapping of risk factors, their potential impact on the Bank and executives appointed Risk Owners for each risk factor:

Risk factor	Effect of the risk factor	Risk owner
Overall effect of credit risks(1)	Medium	Manager, Corporate Division
Risk with respect to borrower and collateral quality	Medium-High	
Risk from industry concentration(1)	Low-Medium	
Risk with respect to concentration of borrowers / borrower groups	Low	
Risk with respect to mortgage portfolio	Low-Medium	
Overall effect of market risks(2)	Low-Medium	Manager, Financial Division
Interest risk	Medium	
Inflation risk	Low-Medium	
Foreign currency risk	Low	
Liquidity risk	Low-Medium	Manager, Financial Division
Overall effect of operational risk	Medium	Manager, Risks Management Division
Cyber and information security risk	Medium	Manager, Risks Management Division
IT risk	Medium	Manager, Mizrahi Tefahot Technology Division Ltd.
Legal risk	Low-Medium	Chief Legal Counsel
Compliance and regulatory risks(3)	Low-Medium	Manager, Risks Management Division
Reputational risk(4)	Low	Manager, Marketing, Promotion and Business Development Division
Strategic business risk(5)	Low-Medium	President & CEO
Regulatory business risk	Medium-High	President & CEO

(1) Includes concentration in construction and real estate sector.
(2) Includes options and shares risk.
(3) Includes AML and terror financing risk and cross-border risk.
(4) The risk of impairment of the Bank's results due to negative reports about the Bank.
(5) The definition of strategic business risk includes the risk embodied in the capital planning and management process.

Developments in risk assessments for the fourth quarter of 2024:

1. Strategic business risk

Strategic business risk remained unchanged at Low-Medium; at the strategic level there has been no change to the Bank's business model, and the Bank operates based on the current strategic outline and is beyond the business targets set in the original strategic plan (for 2021-2025).

Strategic business risk incorporates all of the Bank's business operations, also reflecting the risk in the Bank's business environment. The current risk level reflects the economic and geopolitical uncertainty in connection with the stability of the security situation in view of the ceasefire and the potential effects on the economy and the banking system. The Bank maintains appropriate safety margins for minimum capital and leverage ratios.

2. Regulatory business risk

The regulatory business risk level remained unchanged at Medium-High; it reflects the potential of the intensification of legislative and banking regulation measures.

The risk refers to the impact of new legislative and regulatory steps on core subjects of the financial system and uncertainty with regard to developments and exposure of Bank operations to potential regulatory changes, that may impact core operations of the Bank.

3. Credit risk

In the fourth quarter of 2024, economic activity in Israel has started recovering, mainly due to the agreement for ceasefire in the north. Furthermore, there are no indications that risk levels have increased compared to the previous quarter. At this stage, despite the improvement in economic conditions and the ceasefire agreement in the south, which came into effect in January 2025, the risk level remains unchanged and reflects the uncertainty in connection with the stability of the security situation and the potential economic effects of taxation steps taken by the government, and the effects of interest rates and inflation on the business sector.

In view of the war and its implications for Bank customers, the Bank has announced a range of relief measures for borrowers, designed to facilitate the debt burden, including loans at preferential terms, bonuses to affected small businesses, payment deferment etc. During December 2024, the Bank of Israel published the sixth phase of the comprehensive assistance outline to customers for dealing with the consequences of the Iron Swords War, and the Bank operates in accordance therewith. The Bank also participates in the loan fund for businesses, launched by the Government in early November 2023, and extended support loans to businesses under special tracks as part of the “North South” Fund. For more information about impact of benefits and payment deferment offered by the Bank to customers, in order to address Operation Swords of Iron, see chapter "Significant developments in management of business operations" above.

A. Overall effect of credit risks

The overall level of credit risk remained Medium. The risk level for the quality of borrowers and securities is slightly higher than previously, reflecting the economic and geopolitical uncertainty, and its impact on the borrowers’ activity; this might affect the credit risk level. In the third quarter of 2023, due to the war the risk to borrower and collateral quality increased, due to economic deterioration due to the war and its potential impact on the state of borrowers and overall business activity. The Bank closely monitors the potential effects, constantly reviews the risk measures and risk levels, adapting them as required to current business activity, subject to and in line with the risk appetite, monitors resumption of payments by all customers who postponed payments, and takes steps to improve borrower repayment capacity and to reduce the risk level.

B. Credit risk in the construction and real estate sector

The assessment of the total impact of credit risks and sector concentration includes the risk assessment with respect to Bank exposure to the construction and real estate sector. The Bank is mostly focused in this sector on extending credit for construction using the financial support method (closed assistance). Most of the credit risk in the construction and real estate sector is backed by real estate fully pledged to secure loan repayment, and for credit not secured by real estate collateral, there is other collateral in place, such as: deposits, securities etc. The share of the construction and real estate sector in Israel out of total credit risk to the public at the Bank is approx. 16.4%.

The effect of the economic uncertainty increases - to a certain extent - the systemic risk in the real estate sector. The Iron Swords War led to an increase in risk levels in this sector, due to slower progress of construction due to shortage of labor and slow-down in activity on some construction sites, which may cause delays in apartment delivery and decrease in residential construction starts. In addition, raw material prices and workers’ salaries have increased.

During 2024 there has been a recovery in the demand side and in the number of transactions, and residential units were also purchased in areas located close to the conflict zones. The Bank tracks the development of the industry's risk characteristics and the effects of changes on Bank operations, including monitoring the portfolio and focusing on risk concentrations.

C. Credit risk in the residential mortgage portfolio

The risk level in the mortgages portfolio remains unchanged, at a low-medium level. Despite the positive developments, uncertainty remains as to the stability of the security situation in view of the ceasefire and its impact on economic activity; uncertainty also remains as to the potential cumulative effect of interest and inflation rates on borrowers' repayment capacity. Note that during COVID, which saw extensive mortgage deferment, in actual fact, it turned out that upon the economy resuming normal activity, the risk potential in the mortgage portfolio did not materialize. The risk benchmarks throughout 2024 did not indicate any material change in risk level, and therefore the risk assessment remained unchanged. The Bank continues to monitor the developments and their impact of economic growth and activity. Most of the customers who deferred payments resumed normal payments, and the Bank deals in an orderly manner with customers who still defer payments.

4. Market and interest risks

The overall risk level of market and interest risk remained Low-Medium. Interest risk remained Medium, and reflects the high interest rate environment and the potential impact on borrowers and depositors' behavior, in particular the trend of balance transition from current accounts to deposits and changes to mortgage performance mix towards options less sensitive to changes in interest rates. The risk values are within the limits of the Bank's risk appetite.

5. Liquidity risk

Liquidity risk remained low-medium. In light of the ceasefire agreement in the southern front, which came into effect in January 2025 and in view the calm in the markets, it was decided to lower the Bank's state of alert regarding liquidity by one notch, after it has increased by one notch since the outbreak of the war and due to the security situation and its effects. The Bank closely monitors the potential changes in the situation. In practice, no events nor indications were observed which would indicate realization of a liquidity event. In the fourth quarter of 2024, the Bank maintained high liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets. As of December 31, 2024, the average (consolidated) liquidity coverage ratio amounted to 135%. The net stable funding ratio (on a consolidated basis) as of December 31, 2024 was 113% and there were no deviations from the risk appetite limitations. The Bank maintains high surplus foreign currency, and closely manages its liquidity based on specified guidelines, including ongoing review of Bank compliance with systemic emergency scenarios.

6. IT risk

The technology risk remained Medium. This is a material risk factor for the Bank, and potential damage due to its realization may be significant. Technological activity is focused on changing needs in line with the Bank's business strategy, and taking as many steps as possible to mitigate the probability of the realization of the technological risks and the potential damage of their realization.

7. Information security and cyber defense risk

The information security and cyber risk level remained medium. During the year, a small number of fraud attempts against customers (through phishing attacks) were identified, in which their account credentials were stolen in order to conduct un-authorized transactions in their accounts. Thanks to defensive measures applied by the Bank, despite these fraud attempts, there were no unauthorized transactions in customer accounts. During 2024 several DDoS attacks were conducted against the Bank's marketing website. Throughout this attack, the Bank app and transaction website operated normally, and this attack had no impact on the Bank's business activity. Concurrently, the Bank expanded its capacity to respond to such attacks.

During 2024 the risk of attempted cyber attacks in the banking system increased due to the war, and so did the potential for materialization of this risk. In order to identify and thwart cyber events, the Bank has raised its alert, vigilance and readiness for such events. There is constant activity by attack groups, along with continued activity and bolstering of the Bank's control and protection system. Note that despite the increase in cyber risk world-wide and in Israel, due to, among other things, increased use of cloud environments, increased remote working and more sophisticated attacks, primarily ransom attacks – the ongoing actions taken by the Bank in recent years to enhance the risk management processes have maintained risk at the Bank unchanged.

8. Compliance and regulatory risks

Compliance and regulatory risk remained Low-Medium. The Bank applies the current and new regulatory provisions. During 2024 and against the backdrop of the war, the inherent systemic risk increased, due to effects of the war and of the global geopolitical situation, resulting in expansion of management focus and monitoring at the Bank on issues of compliance, AML and prohibition of terror financing as applicable. Moreover, the Bank operates within the international banking framework that applies cross-border enforcement rules, and has therefore set a specific policy regarding the implementation of international sanctions.

9. Reputational risk

The Bank's reputational risk remained Low. The Bank regularly monitors various benchmarks and indicators with regard to the Bank's reputation, indicating that the Bank has maintained a leading image in the service, fairness and perception as a different bank axes. Among Bank customers, the high image reception levels remain. Satisfaction from the service experience offered by the Bank remains high and stable and managed systematically using a variety of tools.

10. Legal risk

Legal risk remained Low-medium. In this quarter there were no unusual events which may impact Bank exposure. Legal risk is defined in Proper Conduct of Banking Business Directive 350 regarding "Operational risks" and includes absence of potential for legal enforcement of an agreement and includes, but is not limited to exposure to fines or penalties arising from supervisory action, as well as from individual arrangements. Legal risk also includes risks arising from legal exposure due to Bank conduct with its various stakeholders (such as: customers, suppliers and other third parties). The Bank's Legal Division regularly analyzes the legal risk components, the risk boundaries (arising, for example, from the counter-party identity, from creation of collateral etc.) as well as specific risk attributes while reviewing its risk level and exposure with attention to the different lines of business at the Bank and provides current legal advice to the Bank and its various units.
For further details see the risk report for, 2024 published on the Bank's website.

Credit risk

Risk Description

Credit risk is the risk that a borrower or counter party of the Bank would not meet their obligations to the Bank. Credit risk is a material risk for Bank operations. This risk is affected by these major factors: Business risk due to customer activities, concentration risk due to over-exposure to a borrower or borrower group and to economic sectors, geographic concentration risk, risk due to exogenous changes which mostly involve changes to the borrower's macro-economic environment, environmental risks and climate risks, credit risks outside of Israel and operational risks which, should they materialize, would have implications for credit risks. This risk is also inter-related with some other risks, such as: market and interest risk, liquidity risk, compliance risk and other risks.
Credit is at the core of banking activity, and therefore this is the primary risk of all risk types addressed by the banking system. Consequently, the lion's share of capital allocated in Pillar 1 is due to credit risk.

The overall level of credit risk remained Medium. The risk level for the quality of borrowers and securities is slightly higher than previously, reflecting the economic and geopolitical uncertainty, and its impact on the borrowers' activity; this might affect the credit risk level. In the third quarter of 2023, due to the war the risk to borrower and collateral quality increased, due to economic deterioration due to the war and its potential impact on the state of borrowers and overall business activity. The Bank closely monitors the potential effects and constantly reviews the risk measures and risk levels, adapting them as required to current business activity, subject to and in line with the risk appetite, monitors resumption of payments by all customers who postponed payments, and takes steps to improve borrower repayment capacity and to reduce the risk level.

The risk level in the mortgages portfolio remains unchanged, at a low-medium level. Despite the positive developments, uncertainty remains as to the stability of the security situation in view of the ceasefire and its impact on economic activity; uncertainty also remains as to the potential cumulative effect of interest and inflation rates on borrowers' repayment capacity. Note that during COVID, which saw extensive mortgage deferment, in actual fact, it turned out that upon the economy resuming normal activity, the risk potential in the mortgage portfolio did not materialize. The risk benchmarks throughout 2024 did not indicate any material change in risk level, and therefore the risk assessment remained unchanged. The Bank continues to monitor the developments and their impact of economic growth and activity. Most of the customers who deferred payments resumed normal payments, and the Bank deals in an orderly manner with customers who still defer payments.

Description of risk appetite and management guidelines

Credit risk management at the Bank is carried out in conformity with Directive 311 "Credit risk management" of the Bank of Israel.
The Bank's Board of Directors is responsible for setting the Bank's credit policies, which prescribe principles and rules for making credit available and for the management and control over the loan portfolio, in order to preserve its quality and mitigate its inherent risk. These principles and rules enable controlled management of the risks involved in granting loans to borrowers, at the level of the individual borrower, group of borrowers and the level of economic and business sectors – to the level of the entire portfolio. The Bank's Board of Directors annually approves the Bank's credit policy

and reviews the need to revise this policy throughout the year, in view of development in the business environment in which the Bank and its customers operate. The credit policies includes other policy documents which discuss the relevant risks to the Bank's credit operations, including: Credit concentration policy, which ensures that the credit concentration level at the Bank is regularly managed and monitored; policy on customer trading of derivatives and securities, collateral policy, which stipulates the principles required for management of customer collateral, safety factors required by transaction type and risk factors; and the management policy for environmental and climate risks.
Risk appetite consists of a long list of benchmarks and risk factors relevant to the Bank's credit operations, including: Economic sectors, borrower groups, risk factors in the mortgage portfolio, unique activity types, quality of credit portfolio, overseas operations etc. and other risk factors relevant for the Bank's credit risk profile and its business operations. Credit risk is also monitored using a range of stress tests, which estimate the potential impact of stress events on the Bank's credit portfolio. This is done, inter alia, in order to review the stability of Bank capital to various stress events and as part of the ICAAP process.

Monitoring of the risk profile, in view of the specified risk appetite, is made at the frequency specified under the credit policies, and compliance with these limitations is reported to Bank's Board of Directors and management. The Bank's credit policies prescribe principles and rules for making credit available and for the management and control over the loan portfolio, in order to preserve its quality and reduce the inherent risk. These principles and rules enable controlled management of the risk involved in granting loans to borrowers, at the level of the individual borrower, group of borrowers and the level of economic and business sectors. The credit policies are reviewed during the year, in view of developments in the business environment in which the Bank and Bank customers operate and the policy is revised as needed.

Lines of defense for credit risk management

The Bank's risks management setup consists of all management and control layers at the Bank, from the Bank's Board of Directors, management and business units to control functions and Internal Audit. The Risks Management Division (headed by the Bank's CRO) is the overall entity tasked with risks management at the Bank, including credit risk management.

In this regard, and in conformity with Proper Conduct of Banking Business Directive 301, the Bank has specified these three lines of defense:

First line of defense – credit-related business lines at the Bank

Credit at the Bank involves several key areas, supported by an organizational structure based on divisions and units with specific specializations, with credit extended to customers in various operating segments divided among different divisions (Retail, Business) and within those divisions, among different organizational units. Lines of business management are fully responsible for risks management and for implementing an appropriate control environment for its operations. The professional units in each of these customer segments are responsible for regularly verification, monitoring and control of exposure to customers and operating segments for which they are responsible. This line of defense includes specific control units, such as division controllers, control over customers capital market exposures and other control functions. A set of procedures ensures the actual implementation of policy guidelines.

Second line of defense

Risk Management

The Risks Management Division acts as the Bank's independent risks management function, thus serving as the second line of defense within corporate governance for risks management. Division operations and responsibilities include the following: With regard to credit risk management, the Division operates through multiple independent units:

- Credit risks management and control – post-factum assessment, independent of the Bank's credit approval functions, of the borrower quality and quality of the Bank's credit portfolio, and regular and independent monitoring of the Bank's credit portfolio.
- Analysis – a professional entity tasked with producing an independent opinion for credit to material customers, as part of the credit approval process.

Risks Management – responsibility for credit risk assessment models.

Financial Information and Reporting Division – Chief Accountant

The Chief Accountant is responsible for appropriate credit classification and for determination of provisions for credit losses.

Legal Division

Responsible for review of implications of statutory provisions and legislative changes for Bank operations and for providing current legal counsel to Bank units, as well as handling lawsuits brought against the Bank.

Third line of defense – Internal Audit

Internal Audit serves as the third line of defense within corporate governance for risks management, conducting audits of credit risk management as part of its annual and multi-annual work plan.

The Bank Group operates on multiple levels to monitor and mitigate credit risk in as much as possible, from the credit approval stage, emphasizing the required collateral and financial covenants specified in accordance with procedures, authorization and diversification policies specified by the Bank, through to regular control by business units and dedicated control units operating within the lines of business. This is done with constant effort invested in improving the professional expertise of those involved with credit, by means of banking courses and training, as well as professional seminars at all levels. Concurrently, the Bank invests extensive resources in improving its control mechanisms and IT systems available to decision makers in the credit sector.

Since the war started, the Emergency Credit Forum, headed by the Manager, Corporate Division (Credit Risks Officer), convenes frequently to discuss management of credit risk arising from the decline in economic activity and impact on various affected economic sectors, capital market and foreign currency exposures and exposure to key customers affected, or that may be affected, by the war (customers in the Southern and Northern regions).

Most of the Retail Division customers (both small businesses and households) are rated using advanced custom models. Actual current management at the Retail Division is primarily based on the MADHOM system (advanced rating, underwriting and management system). As part of this effort, the Bank's Training Center conducts customized activity for deployment of diverse uses of the model outcomes at branches.

For more information about key processes involved in management and control of credit risk at the Bank, see the 2024 Risks Report on the Bank website.

Handling of problematic loans and debt collection – The handling of problematic loans requires specific focus and professionalism, other than the level that approved or processed the credit extended and collateral received. Initial identification is typically computer-based by designated departments for identification and control in the Corporate Division and in the Retail Division. Identified customers are handled by corporate divisions or by the Special Customer Sector of the Corporate Division (first line), as the case may be and as specified in Bank procedures.

In order to identify credit risk materializing, or which may materialize, at the Bank, the Bank regularly conducts a process to review and identify debts, based on specified criteria. Some of these criteria require debt to be classified as problematic debt, while others provide a warning and allow the professional entity to exercise discretion. Debts are reviewed by a ranking of authorizations specified in Bank procedures. This authorization ranking includes individual authorizations, from branch and headquarters staff, to authorizations at higher levels with regard to classifications and provisions. A built-in, independent control process is conducted by regional management and by designated units at headquarters. The Information and Reporting Division forms a second line in the classification and provision setting process; he is responsible, in conformity with Proper Conduct of Banking Business Directive 311, for being the independent factor in charge of classification and setting the provision for credit losses.

A computer system which supports application of measurement and disclosure provisions for non-accruing debts, credit risk and provision for credit losses, including in identification and control processes, carries out logical, criteria-based testing and determines defaults for debts classification as debts under special supervision, inferior debt, non-accruing debt or debt in restructuring, as required.

Identification of residential mortgages (mortgages) with risk attributes is automated by identifying criteria for arrears and other qualitative criteria. In early stages of arrears, the Bank applies automated collection processes. Later on, the Bank applies proactive processes, both internal and external, including legal proceedings, if needed.

For more information about non-accruing debts, credit risk and provision for credit losses, see Note 1.E.7 to the financial statements and the chapter "Credit risk" of the 2024 Risks Report on the Bank website.

Analysis of credit quality and problematic credit risk

Significant exposure to groups of borrowers

Disclosure of credit risk with respect to significant exposure to borrower groups is provided with regard to each group of borrowers whose net indebtedness, on a consolidated basis, after allowed deductions pursuant to Proper Conduct of Banking Business Directive 313, exceeds 15% of the banking corporation's capital (as defined in Regulation 313).

As of December 31, 2024, the Bank had no borrower group which meets the aforementioned criteria.

Bank business with major borrower groups is conducted subject to several guidelines designed to mitigate risk associated with such activity:

- Activity with borrower groups is primarily done with established, leading public companies.
- Credit is mostly provided for short- and medium term, to be used in current operations of these companies.
- Credit is diversified among Group companies operating in different segments and economic sectors.
- Credit is provided, in as much as possible, to companies which are not mutually dependent or which are subject to mutual covenants or guarantees.

The Bank takes the following steps in order to manage exposure to groups of borrowers:

- Set financial covenants as needed.
- Provide credit against collateral, in as much as possible, and closely monitor exposure not secured by collateral.
- Closely monitor company operations and financial results.
- Closely monitor compliance of borrower group companies with financial covenants, if and when specified.

Major borrowers

Below is the sector composition of the top 6 borrowers for the Group as of December 31, 2024 (NIS in millions):

Borrower no.	Economic sector	On-balance sheet credit risk(1)	Off-balance sheet credit risk(1)	Total credit risk(1)
1.	Financial services	2,238	187	2,425
2.	Financial services	41	2,138	2,179
3.	Financial services	1,219	918	2,137
4.	Construction and real estate	778	718	1,496
5.	Financial services	-	1,444	1,444
6.	Construction and real estate	549	863	1,412

(1) On- and off-balance sheet credit risk is stated before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower and of borrower group.

Leveraged financing

Leveraged financing is credit financing provided to customers which fulfills one of the following criteria:

1. Credit for an equity transaction would be classified according to one of the following rules:

- Credit for an equity transaction (as defined below), provided that the balance of such credit exceeds 0.5% of Bank capital or NIS 35 million, whichever is higher.
- For credit financing acquisition of equity interests in another banking corporation, or in a banking holding corporation, provided that the balance of such credit exceeds NIS 35 million.
- Additional credit extended to the borrower after the financing for the equity transaction, with repayment primarily based on the cash flows derived from the equity interest whose purchase was financed by the banking corporation.

"**Equity transaction**": A transaction with one of the following goals:

- Buyout – purchase or buyback, by the borrower, of the borrower’s issued capital (including an employees’ stock purchase plan).
- Acquisition of another corporation – the purchase of any capital rights in another corporation, or the purchase of all, or a significant share, of the assets of another corporation.
- Capital distribution – the payment of dividends or another transaction whose goal is to increase shareholder value.

An equity transaction, with regard to leveraged financing, is one where the loan balance exceeds 0.5% of Bank capital and where the LTV ratio exceeds 50%.

3. **Financing for leveraged companies**, which is material credit extended to companies with attributes which indicate that an adverse change in the global economic environment or in the specific environment of the sector in which they do business, may significantly impact their capacity to repay the Bank. The Bank has specified criteria for defining credit included in this category, based on the business customer's credit risk rating, as reflected by the Bank's rating model; it also specified benchmarks for leveraging (i.e. for significantly high deviation from typical norms for the sector), determined based on generally accepted financial ratios among Bank customers with material credit in major economic sectors in which the Bank operates. Leverage benchmarks and economic sectors are reviewed based on changes to the business environment and are modified as necessary. Borrowers flagged for one or more of the criteria specified are individually reviewed by a forum which includes representatives from the Corporate Division, the Risk Management Division and the Information and Financial Reporting Division. The forum reviews changes to financial parameters of the company and the economic environment in which it operates. Details of Bank exposure

to credit constituting leveraged financing are as follows:

Credit for equity transactions (NIS in millions):

	December 31, 2024				December 31, 2023			
Economic sector of acquired company	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**
Commerce	257	-	257	-	-	-	-	-
Mining and excavation	805	-	805	-	532	-	532	-
Transport and storage	-	-	-	-	601	-	601	-
Financial services	666	-	666	-	-	-	-	-
Total	**1,728**	**-**	**1,728**	**-**	**1,133**	**-**	**1,133**	**-**

Credit to leveraged companies (NIS in millions):

	December 31, 2024				December 31, 2023			
Economic sector of borrower	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**
Construction and real estate(1)	91	373	464	-	711	53	764	-
Electricity and water(1)	-	-	-	-	359	191	550	-
Commerce	168	4	172	-	188	4	192	-
Transport and storage	431	49	480	-	444	45	489	-
Total	**690**	**426**	**1,116**	**-**	**1,702**	**293**	**1,995**	**-**

(1) The presented decrease in the credit risk arising from leveraged companies as of December 31, 2024 arises from exclusion of several customers, as a result of an improvement in their business parameters in accordance with the Bank’s criterion.

Developments in problematic credit risk

Below is a summary of overall problematic credit risk and non-performing assets before provision for credit losses, in accordance with provisions for measurement and disclosure of non-accruing debts, credit risk and provision for credit loss (NIS in millions):

	Total credit risk[(1)]	
	December 31, 2024	**December 31, 2023**
Problematic credit risk:		
Non-accruing credit risk	4,304	3,752
Accruing problematic credit risk	1,630	2,512
Total problematic credit risk	**5,934**	**6,264**

(1) Including with respect to off balance sheet credit instruments.

Major risk benchmarks related to credit quality (in percent):

	December 31, 2024	December 31, 2023
Non-accruing credit in arrears 90 days or longer as percentage of total loans to the public	1.21	1.16
Non-accruing credit in arrears 90 days or longer as percentage of total non-residential loans to the public	1.64	1.37
Non-accruing credit in arrears 90 days or longer as percentage of total residential mortgages	0.95	1.04
Ratio of problematic loans to the public to total non-residential mortgages	2.65	3.26
Ratio of problematic credit risk to total credit risk with respect to the public	1.25	1.47

For more information see chapter "Explanation and analysis of results and business standing" above.

Analysis of change to non-accruing debts

Below is the movement in non-accruing debts (in millions of NIS):

Movement in non-accruing loans to the public	For the year ended December 31, 2024				For the year ended December 31, 2023			
	Commercial	Residential	Individual	Total	Commercial	Residential	Individual	Total
Non-accruing loans to the public – balance at start of the year	1,466	2,153	74	3,693	1,193	1,329	55	2,577
Loans classified as non-accruing during the period	1,376	1,528	91	2,995	1,049	1,798	58	2,905
Loans resuming accrual of interest revenues during the period	(84)	(1,507)	(15)	(1,606)	(270)	(965)	(10)	(1,245)
Loans subject to accounting write-off	(341)	-	(42)	(383)	(125)	-	(13)	(138)
Loans repaid	(398)	(33)	(25)	(456)	(381)	(9)	(16)	(406)
Non-accruing debt balance at end of the year	**2,019**	**2,141**	**83**	**4,243**	**1,466**	**2,153**	**74**	**3,693**

For more information about problematic credit risk, see Notes 13 and 30 to the financial statements.

Analysis of provision for credit losses

Analysis of movement in balance of provision for credit losses (NIS in millions):

	For the year ended December 31, 2024					
	Provision for credit losses					
	Loans to the public				Banks, governments and bonds	Total
	Commercial	Housing	Individual – other	Total		
Balance of provision for credit losses at start of period	2,419	1,149	702	4,270	11	4,281
Expenses due to credit losses	315	64	139	518	1	519
Accounting write-offs	(500)	-	(313)	(813)	-	(813)
Collection of debts written off for accounting purposes in previous years	214	-	169	383	-	383
Net accounting write-offs	(286)	-	(144)	(430)	-	(430)
Balance of provision for credit losses at end of period	**2,448**	**1,213**	**697**	**4,358**	**12**	**4,370**

	For the year ended December 31, 2023					
Balance of provision for credit losses at start of period	1,690	902	512	3,104	1	3,105
Expenses due to credit losses	882	247	324	1,453	10	1,463
Accounting write-offs	(290)	-	(257)	(547)	-	(547)
Collection of debts written off for accounting purposes in previous years	137	-	123	260	-	260
Net accounting write-offs	(153)	-	(134)	(287)	-	(287)
Balance of provision for credit losses at end of period	**2,419**	**1,149**	**702**	**4,270**	**11**	**4,281**

For more information about provision for credit losses see Notes 13 and 30 to the financial statements.

Major risk benchmarks related to provision for credit losses (in percent):

	December 31, 2024	December 31, 2023
Ratio of provision for credit losses to total loans to the public	1.20	1.30
Ratio of provision for credit losses to total credit risk with respect to the public	0.92	1.00
	Year ended	
	December 31, 2024	December 31, 2023
Ratio of expenses with respect to credit losses to average balance of loans to the public, gross	0.15	0.46
Ratio of net write-offs to average balance of loans to the public, gross	0.12	0.09
Ratio of expenses with respect to credit losses to average balance of loans to the public, net	0.15	0.46
Of which: With respect to commercial loans other than residential mortgages	0.36	1.05
Of which: with respect to residential mortgages	0.03	0.12
Ratio of net write-offs to average balance of loans to the public, net	0.13	0.09

For more information about changes to components of the provision for credit losses, see chapter "Material developments in revenues, expenses and other comprehensive income" above.

Loans bearing variable interest

The Bank monitors, inter alia through a dedicated forum headed by the CRO and attended by representatives of the various business lines, the changes in the Bank's total credit risk, and discusses the required changes in policy, and other actions as needed, following the changes.

For more information about loans bearing variable interest for individuals, see "Credit risk to individuals" below.

For more information about residential mortgages bearing variable interest, see "Residential mortgages risk" below.

Credit risk to individuals (excluding residential mortgages)(1)

The individual customer segment is highly diversified – by number of customers and by geographic location. Most customers in this segment are salaried employees with an individual account or joint household account. A recession in non-banking operations is a major risk factor for household activity and higher unemployment may increase the number of customers who face difficulties.

Credit policies and work procedures with regard to extending credit, including to individual customers, include directives and guidelines with regard to credit underwriting and adapting credit to customer needs and repayment capacity: Review of credit objective, requested LTV, loan term, analysis of customer's repayment capacity and repayment sources, for all of their indebtedness. This includes review of various economic parameters of the customer based, inter alia, on the customer's regular income(2), pledged or unencumbered savings, knowledge of the customer and past experience working with the customer. There are also procedures, designated work processes and controls for proactive offering of consumer credit to individual customers, in conformity with Bank of Israel directives.

As for credit to individual customers, Bank policy is in conformity with the Supervisor of Banks' Proper Conduct of Banking Business Directive 311A regarding "Management of consumer credit".

The Bank regularly monitors the risk level in the credit portfolio for individuals using, *inter alia*, the internal credit rating model for individual customers, as well as through continuous monitoring and analysis of expenses with respect credit losses.

Below is information about credit risk to individuals – balances and various risk attributes (NIS in millions):

	December 31	
	2024	**2023**
Debts		
Current account balances	2,014	1,966
Utilized credit card balances	5,029	4,532
Auto loans – adjustable interest	1,516	2,065
Auto loans – fixed interest	4,725	4,257
Other loans and credit – variable interest	13,761	13,542
Other loans and credit – fixed interest	402	348
Total debt (on-balance sheet credit)	**27,447**	**26,710**
Un-utilized facilities, guarantees and other commitments		
Current accounts – un-utilized facilities	5,707	5,585
Credit cards – un-utilized facilities	9,697	9,424
Guarantees	290	278
Other liabilities	40	31
Total un-utilized facilities, guarantees and other commitments (off-balance sheet credit)	**15,734**	**15,318**
Total credit risk to individuals	**43,181**	**42,028**
Of which:		
Bullet / balloon loans(3)	692	705
Financial asset portfolio and other collateral against credit risk(4)		
Financial assets portfolio:		
Deposits	4,314	4,088
Securities	264	206
Other monetary assets	127	168
Other collateral(5)	3,396	3,287
Total financial assets portfolio and other collateral against credit risk	**8,101**	**7,749**

(1) As defined in Proper Conduct of Banking Business Directive 451.
(2) For measuring regular income in customer accounts, the Bank uses "credit turnover" data for the account, including inter alia salaries and regular pensions.
(3) Loans with a grace period for principal longer than one year.
(4) Amounts presented are the financial assets portfolio and other collateral, only up to customer debt amount.
(5) Collateral is after applying the safety factor, in conformity with Bank factors accounted for when extending credit.

Below is composition by size of borrower indebtedness[1]:

Loan ceiling and credit risk (NIS in thousands)		As of December 31, 2024 Number of Borrowers	On-balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	As of December 31, 2023 Number of Borrowers	On-balance sheet credit risk	Off-balance sheet credit risk	Total credit risk
	Up to 10	245,623	322	493	815	248,443	318	492	810
Above 10	Up to 20	115,942	635	1,088	1,723	113,285	611	1,054	1,665
Above 20	Up to 40	151,659	1,748	2,708	4,456	149,531	1,720	2,632	4,352
Above 40	Up to 80	164,079	4,672	4,770	9,442	162,697	4,638	4,646	9,284
Above 80	Up to 150	105,678	7,541	3,936	11,477	104,714	7,434	3,846	11,280
Above 150	Up to 300	58,151	9,726	2,207	11,933	55,683	9,264	2,140	11,404
Above 300		8,557	2,803	532	3,335	8,230	2,725	508	3,233
Total		**849,689**	**27,447**	**15,734**	**43,181**	**842,583**	**26,710**	**15,318**	**42,028**

(1) Number of borrowers is for total on- and off-balance sheet credit risk.

Composition of on-balance sheet credit by fixed income[1] in account:

	As of December 31, 2024		As of December 31, 2023	
Income	**NIS in millions**	**in %**	**NIS in millions**	**in %**
Accounts with no fixed income for the account[2]	7,301	26.6	7,191	26.9
Less than NIS 10 thousand	3,372	12.3	3,663	13.7
More than NIS 10 thousand and less than NIS 20 thousand	7,950	29.0	7,953	29.8
NIS 20 thousand or more	8,824	32.1	7,903	29.6
Total	**27,447**	**100.0**	**26,710**	**100.0**

(1) For measuring regular income in customer accounts, the Bank uses "credit turnover" data for the account, including inter alia salaries and regular pensions.
(2) Primarily with respect to loans extended in conjunction with assignment of vehicle portfolios and loans extended by Igud Leasing. Due to the nature of account management, this revenue is not reflected in the current account.

Below is composition of on-balance sheet credit by remaining term to maturity[1]:

	As of December 31, 2024		As of December 31, 2023	
Term to maturity	**NIS in millions**	**in %**	**NIS in millions**	**in %**
Up to 1 year	4,177	20.5	4,170	20.6
Over 1 year to 3 years	6,315	30.9	6,136	30.4
Over 3 years to 5 years	4,958	24.3	5,041	24.9
Over 5 years to 7 years	2,245	11.0	2,200	10.9
Over 7 years[2]	2,709	13.3	2,665	13.2
Total	**20,404**	**100.0**	**20,212**	**100.0**

(1) Excluding checking account and cr
edit cards.
(2) Primarily loans to salaried Government employees, where loan repayment is directly deducted from the customer's paycheck and which bear significantly lower risk than similar loans for the same term.

Problematic credit risk before provision for credit losses (NIS in millions):

	As of December 31, 2024			As of December 31, 2023		
	Credit risk[1]			Credit risk[1]		
	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:
Balance of problematic credit risk	272	2	274	269	8	277
Problematic credit risk rate[2]	0.99%	0.01%	0.63%	1.01%	0.05%	0.66%

(1) On- and off-balance sheet credit before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower and of borrower group.

(2) The ratio of problematic credit risk to total credit risk before provision for credit losses.

Below is the expense rate with respect to credit losses to individuals (annualized):

	For the year ended December 31	
	2024	2023
Expense with respect to credit losses as percentage of total loans to the public to individuals	0.51%	1.22%[1]

(1) Includes group-based provision for credit losses, recognized so as to reflect the increase in credit risk in the market due to the war, though no material indicators of increase in this risk have been seen to date.

Data for credit risk to individuals show that:

- Total debts by individuals (on-balance sheet credit) increased by 2.8% compared to December 31, 2023, respectively.

Composition of debts as of December 31, 2024:	
Checking accounts	7.3%
Credit cards	18.3%
Auto loans	22.7%
Other loans and credit	51.7%

- Of all debts (on-balance sheet credit) as of December 31, 2024, 29.5% is secured by financial assets and other collateral in the customer's account (compared to 29.0% as of December 31, 2023).

Credit risk in construction and real estate economic sector in Israel

In financing the construction and real estate industry, specific analysis and monitoring tools are used to assist the Bank in reaching decisions on the granting of financial support to the various projects. Construction financing in this industry is focused mainly on residential construction in areas with strong demand. In addition, the financing is allocated between geographic regions, based inter alia on relevant demand. In extending credit for construction, the Bank focuses on the financial support method (closed assistance). The application of this method is designed to reduce the exposure to risks in the granting of the loans, because it incorporates current and close monitoring of the progress of the financed projects, both before the loans are provided, and as the project receives the financial support, while maintaining a distinction between the financed projects and the business risks inherent in the other activities of the developer-borrower. The Bank is assisted by outside construction supervisors, and also relies on liens on the land in the project, to secure the loans. Loans are issued for financed projects only by business centers and branches with professional knowledge of the subject, and under the supervision of the construction and real estate sector. The Bank also sets policies and rules for financing other real estate transactions, such as financing for rental properties, purchase groups, urban renewal, etc. Moreover, in order to minimize risk, the Bank partially insures the portfolio of land designated for construction in a closed project and the portfolio of housing bonds and performance guarantees in assisted projects with overseas reinsurers.

The effect of the economic uncertainty increases - to a certain extent - the systemic risk in the real estate sector. The Iron Swords War led to an increase in risk levels in this sector, due to slower progress of construction due to shortage of labor and slow-down in activity on some construction sites, which may cause delays in apartment delivery and decrease in residential construction starts. In addition, raw material prices and workers' salaries have increased.

During 2024 there has been a recovery in the demand side and in the number of transactions, and residential units were also purchased in areas located close to the conflict zones. The Bank tracks the development of the industry's risk characteristics and the effects of changes on Bank operations, including monitoring the portfolio and focusing on risk concentrations.

Total housing construction starts in the 12 months from October 2023 to September 2024 were 58.5 thousand residential units, a decrease by 9.7% compared to the corresponding period in the previous year. Residential housing construction completions decreased by 6.1%, at 54 thousand residential units. At the end of November 2024, the new apartments inventory stood at approx. 71 thousand apartments; as from April 2022, there has been a 1.4% average monthly increase in this line item. Approx. 57% of unsold apartments are located in Tel Aviv and the Central region.

In the past year, the percentage of sale contracts based on non-linear payment methods out of total sale contracts of new apartments has increased as part of a marketing technique, which enables contractors to sell the apartments in a complex period against the backdrop of the war and high interest rates. This issue is assessed as part of the projects' underwriting process and during the monitoring of the projects approved by the Bank, including an assessment of the effects of those contracts on the project's financing costs. In addition, the Bank verifies that the supervisors take into account the scope of the contracts and their effects on financing costs. The project's cash flow and the need to revise the budgetary framework are monitored closely, and the Bank also closely monitors the development of the risk characteristics arising from this segment.

In the past two years there has been a slowdown in demand in the office space segment in view, among other things, of the slowdown in the high-tech sector, which is a major user of office space; this resulted in a shift and a decline in rent and occupancy rates in this segment (which are more prominent in the suburbs of Tel Aviv and Gush Dan), which may intensify as the slowdown becomes more pronounced.

Financing of real estate transactions at the Bank is conducted in conformity with clear policy and rules stipulated in the lending policy for various activity channels, such as: financing for land, residential construction, rental real estate, purchase groups, urban renewal, etc. Bank operations in this sector are conducted while adhering to appropriate underwriting procedures and credit spreads to reflect the risk. The risk level in this sector is also taken into account in the quarterly review process of the group-based provision.

The Bank regularly monitors the credit portfolio and risk characteristics of activity in this area, as well as new credit provided, in conformity with benchmarks stipulated in Bank policy.

Over the course of 2024, activity in the construction and real estate sector at the Bank increased as part of a trend of increase in demand in this sector in general and an increase in the number of new transactions in particular, the demand for residential properties, the increase in demand for safe rooms and deals offered by developers, mainly through expedients relating to payment terms, subsidized loans and/or non-linear payment schedules (20/80) deals, etc.

Over the course of 2024, total exposure to the construction and real estate sectors increased by 15.9% compared to a 12.8% increase in 2023, due to increased project volumes and a certain increase in developers' financing needs over the project's lifetime. The share of the construction and real estate sector in Israel out of total credit risk to the public at the Bank as of December 31, 2024, as presented below (Credit Risk by Economic Sector) is 16.4%. Note that according to Proper Conduct of Banking Business Directive 315, the rate of indebtedness of the construction and real estate sector (for calculation of sector concentration) is 11.9% (excluding liabilities, including contingent liabilities to extend credit or to provide guarantees and amounts of housing bonds and loans to finance land, for which the Bank has obtained insurance policies). The Bank reviews in each quarter the calculation of the group-based provision for credit losses in this sector, and adjusts this provision so as to account, inter alia, for growth in the loan portfolio and the underwriting conditions.

Below is information about credit risk in the construction and real estate economic sector in Israel, by real estate collateral type (NIS in millions):

	December 31, 2024							
	Credit risk to the public[(1)]							
				Credit risk	Total problematic credit risk		Balance of provision for credit losses	
	On balance sheet[(2)]	Off balance sheet[(3)] Guarantees to home buyers[(5)]	Facilities and other commitments		Of which: Non-accruing	Other problematic[(4)]	On-balance sheet credit risk	Off-balance sheet credit risk
Secured by real estate:								
Housing	23,716	6,768	18,193	48,677	342	47	219	24
Commercial and industrial	10,555	200	2,226	12,981	152	118	165	3
Total secured by real estate	**34,271**	**6,968**	**20,419**	**61,658**	**494**	**165**	**384**	**27**
Not secured by real estate	7,263	8	7,590	14,861	100	178	179	19
Total for construction and real estate economic sector in Israel	**41,534**	**6,976**	**28,009**	**76,519**	**594**	**343**	**563**	**46**
Of which: Designated for project assistance	23,400	6,948	17,956	48,304	359	94	44	24

	December 31, 2023							
	Credit risk to the public[(1)]							
				Credit risk	Total problematic credit risk		Balance of provision for credit losses	
	On balance sheet[(2)]	Off balance sheet[(3)] Guarantees to home buyers[(5)]	Facilities and other commitments		Of which: Non-accruing	Other problematic[(4)]	On-balance sheet credit risk	Off-balance sheet credit risk
Secured by real estate:								
Housing	22,158	5,423	13,772	41,353	206	277	211	24
Commercial and industrial	9,713	129	2,525	12,367	128	459	200	3
Total secured by real estate	**31,871**	**5,552**	**16,297**	**53,720**	**334**	**736**	**411**	**27**
Not secured by real estate	5,954	12	6,335	12,301	109	125	164	19
Total for construction and real estate economic sector in Israel	**37,825**	**5,564**	**22,632**	**66,021**	**443**	**861**	**575**	**46**
Of which: Designated for project assistance	21,465	5,516	13,891	40,872	197	318	102	24

(1) On- and off-balance sheet credit risk, problematic credit risk and non-accruing loans to the public are stated before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower.
(2) Loans to the public, investment in bonds by the public, other debt by the public and other assets with respect to derivatives against the public.
(3) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits.
(4) On- and off-balance sheet credit risk with respect to the public, which is inferior or under special supervision.
(5) Off-balance sheet credit risk due to housing bonds / similar bonds, which are mostly backed by insurance purchased from international reinsurers.

Below is information about credit risk in the construction and real estate economic sector in Israel, by asset status (NIS in millions):

	December 31					
	2024			2023		
	Credit risk(1)			Credit risk(1)		
	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:
Secured by real estate						
Real estate yet to be completely constructed:						
Raw land	15,156	1,319	16,475	15,425	1,078	16,503
Real estate under construction	9,992	23,458	33,450	8,364	19,232	27,596
Real estate completely constructed	9,123	2,610	11,733	8,082	1,539	9,621
Total credit secured by real estate in Israel	**34,271**	**27,387**	**61,658**	**31,871**	**21,849**	**53,720**
Not secured by real estate	7,263	7,598	14,861	5,954	6,347	12,301
Total credit risk for construction and real estate	**41,534**	**34,985**	**76,519**	**37,825**	**28,196**	**66,021**

Below is information about credit risk in the construction and real estate economic sector in Israel, by debt classification (NIS in millions):

	December 31		
	2024	2023	Change
	Credit risk to the public		
Credit risk at performing credit rating:			
Total non-problematic credit risk	73,152	62,337	17.3%
Credit risk other than at performing credit rating:			
Problematic accruing	343	861	(60.2%)
Non-accruing	594	443	34.1%
Non-problematic	2,430	2,380	2.1%
Total credit risk other than at performing credit rating	**3,367**	**3,684**	**(8.6%)**
Total credit risk for construction and real estate	**76,519**	**66,021**	**15.9%**

(1) On- and off-balance sheet credit risk, problematic credit risk and non-accruing loans to the public are stated before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower.

Credit risk(2) by economic sector

As of December 31, 2024

Reported amounts (NIS in millions)

	Total credit risk(1)				Off balance sheet debts(2) and credit risk (other than derivatives)(3)						
		Of which:							Credit losses(3)		
	Total	Credit performance rating(4)	Credit in good standing other than at performing credit rating	Problematic(5)	Total	Debts	Problematic(5)	Non-accruing	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,408	1,307	75	26	1,408	1,103	26	20	7	7	32
Mining and excavation	3,189	3,181	-	8	3,054	2,166	8	6	8	-	33
Industry and production	17,241	16,143	549	549	17,049	9,192	545	211	25	(21)	482
Of which: Diamonds	1,608	1,319	49	240	1,608	1,113	240	99	29	-	119
Construction and real estate – construction(6)	64,807	61,746	2,300	761	64,684	31,310	761	483	13	27	382
Construction and real estate – real estate operations	11,712	11,406	130	176	11,293	9,688	176	111	2	-	227
Electricity and water delivery	12,356	12,305	41	10	12,002	7,114	10	7	44	3	129
Commerce	17,514	16,137	641	736	17,383	13,158	736	335	6	74	452
Hotels, dining and food services	2,216	1,958	86	172	2,211	1,681	172	62	1	32	115
Transport and storage	3,757	3,132	551	74	3,728	2,975	74	32	16	15	85
Information and communications	1,820	1,714	89	17	1,717	950	17	12	7	11	26
Financial services	32,901	32,640	225	36	27,168	14,878	36	7	12	11	45
Other business services	8,181	7,651	343	187	8,162	5,187	187	100	16	25	186
Public and community services	3,378	3,166	66	146	3,375	2,575	146	126	(23)	10	80
Total commercial	**180,480**	**172,486**	**5,096**	**2,898**	**173,234**	**101,977**	**2,894**	**1,512**	**134**	**194**	**2,274**
Private individuals – residential mortgages	242,069	236,827	3,101	2,141	242,069	225,291	2,141	2,141	64	-	1,213
Private individuals – other	43,186	42,530	382	274	43,181	27,447	274	83	139	144	697
Total public – activity in Israel	**465,735**	**451,843**	**8,579**	**5,313**	**458,484**	**354,715**	**5,309**	**3,736**	**337**	**338**	**4,184**
Banks in Israel	1,724	1,724	-	-	303	303	-	-	-	-	-
Government of Israel	23,511	23,511	-	-	2	2	-	-	-	-	-
Total activity in Israel	**490,970**	**477,078**	**8,579**	**5,313**	**458,789**	**355,020**	**5,309**	**3,736**	**337**	**338**	**4,184**
Borrower activity overseas											
Total public – activity overseas	10,344	9,723	-	621	10,071	7,379	617	560	181	92	182
Overseas banks	23,812	23,812	-	-	23,674	23,639	-	-	1	-	3
Overseas governments	2,400	2,399	-	1	439	317	1	1	-	-	1
Total activity overseas	**36,556**	**35,934**	**-**	**622**	**34,184**	**31,335**	**618**	**561**	**182**	**92**	**186**
Total	**527,526**	**513,012**	**8,579**	**5,935**	**492,973**	**386,355**	**5,927**	**4,297**	**519**	**430**	**4,370**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts(2) – 386,355; bonds – 27,593; securities borrowed or acquired in conjunction with resale agreements – 264; (on- and off-balance sheet) credit risk with respect to derivatives – 6,696; and credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 106,618.
(2) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements.
(3) Includes with respect to off-balance sheet credit instruments (included on balance sheet under Other Liabilities).
(4) Credit risk whose credit rating as of the report date matches the credit rating for new credit performance, in conformity with Bank policies.
(5) On- and off-balance sheet credit risk, which is non-accruing, inferior or under special supervision.
(6) Includes on-balance sheet credit risk amounting to NIS 1,019 million and off-balance sheet credit risk amounting to NIS 1,098 million, extended to certain purchase groups which are in the process of construction. For more information on credit exposures secured by international re-insurers, see "Key exposure to foreign countries" below.

Credit risk[2] by economic sector – Continued

As of December 31, 2023

Reported amounts (NIS in millions)

	Total credit risk[1]				Off balance sheet debts[2] and credit risk (other than derivatives)[3]						
		Of which:							Credit losses[3]		
	Total	Credit performance rating[4]	Credit in good standing other than at performing credit rating	Problematic[5]	Total	Debts	Problematic[5]	Non-accruing	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,137	1,080	31	26	1,137	851	26	21	16	4	32
Mining and excavation	2,356	2,344	-	12	2,265	1,271	10	6	2	-	25
Industry and production	16,540	15,495	475	570	16,291	9,246	558	192	150	14	425
Of which: Diamonds	1,691	1,451	112	128	1,691	1,121	128	67	41	3	74
Construction and real estate – construction[6]	55,771	53,619	1,424	728	55,667	28,380	727	337	83	27	396
Construction and real estate – real estate operations	10,250	8,718	956	576	9,715	8,818	576	105	113	4	225
Electricity and water delivery	11,030	10,591	416	23	10,743	6,514	23	4	17	5	88
Commerce	16,718	15,352	487	879	16,563	12,756	879	288	246	18	520
Hotels, dining and food services	2,121	1,814	116	191	2,107	1,595	191	56	70	19	146
Transport and storage	3,632	2,866	690	76	3,612	2,988	76	31	14	11	84
Information and communications	1,748	1,625	98	25	1,683	944	25	19	11	9	30
Financial services	25,726	25,590	105	31	20,715	9,593	31	28	10	-	55
Other business services	7,647	7,341	111	195	7,644	4,921	195	95	60	27	195
Public and community services	3,269	2,841	268	160	3,238	2,545	160	145	40	15	113
Total commercial	**157,945**	**149,276**	**5,177**	**3,492**	**151,380**	**90,422**	**3,477**	**1,327**	**832**	**153**	**2,334**
Private individuals – residential mortgages	218,658	213,896	2,609	2,153	218,658	206,553	2,153	2,153	247	-	1,149
Private individuals – other	42,032	41,386	369	277	42,028	26,710	277	75	324	134	702
Total public – activity in Israel	**418,635**	**404,558**	**8,155**	**5,922**	**412,066**	**323,685**	**5,907**	**3,555**	**1,403**	**287**	**4,185**
Banks in Israel	2,286	2,286	-	-	702	702	-	-	-	-	-
Government of Israel	19,562	19,562	-	-	4	4	-	-	-	-	-
Total activity in Israel	**440,483**	**426,406**	**8,155**	**5,922**	**412,772**	**324,391**	**5,907**	**3,555**	**1,403**	**287**	**4,185**
Borrower activity overseas											
Total public – activity overseas	8,584	7,946	296	342	8,416	5,730	336	176	58	-	93
Overseas banks	27,248	27,248	-	-	26,997	26,869	-	-	2	-	2
Overseas governments	1,211	1,210	-	1	628	476	1	1	-	-	1
Total activity overseas	**37,043**	**36,404**	**296**	**343**	**36,041**	**33,075**	**337**	**177**	**60**	**-**	**96**
Total	**477,526**	**462,810**	**8,451**	**6,265**	**448,813**	**357,466**	**6,244**	**3,732**	**1,463**	**287**	**4,281**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[2] – 357,466; bonds – 22,453; securities borrowed or acquired in conjunction with resale agreements – 106; (on- and off-balance sheet) credit risk with respect to derivatives – 6,154; and credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 91,347.

(2) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements.

(3) Includes with respect to off-balance sheet credit instruments (included on balance sheet under Other Liabilities).

(4) Credit risk whose credit rating as of the report date matches the credit rating for new credit performance, in conformity with Bank policies.

(5) On- and off-balance sheet credit risk, which is non-accruing, inferior or under special supervision.

(6) Includes on-balance sheet credit risk amounting to NIS 1,070 million and off-balance sheet credit risk amounting to NIS 1,211 million, extended to certain purchase groups which are in the process of construction. For more information on credit exposures secured by international re-insurers, see "Key exposure to foreign countries" below.

Key exposure to foreign countries[1]

Reported amounts (NIS in millions)

Part A – Information regarding total exposure to foreign countries and exposure to countries for which total exposure to each country exceeds 1% of total consolidated assets or 20% of capital, whichever is lower (NIS in millions):

Country	December 31, 2024			December 31, 2023		
	Exposure					
	On balance sheet[2]	Off-balance sheet [2][3][4]	Total	On balance sheet[2]	Off-balance sheet [2][3][4]	Total
USA	33,238	1,901	35,139	32,474	1,976	34,450
Barbados[5]	4,857	-	4,857	5,353	-	5,353
Others[6]	12,132	11,599	23,731	11,008	11,406	22,414
Total exposure to foreign countries	**50,227**	**13,500**	**63,727**	**48,835**	**13,382**	**62,217**
Of which: To Greece, Portugal, Spain, Italy	54	12	66	63	10	73
Of which: Total exposure to LDC counties[7]	580	110	690	844	219	1,063

(1) Based on final risk, after effect of guarantees, liquid collateral and credit derivatives.

(2) On- and off-balance sheet credit risk is stated before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower and of borrower group.

(3) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits, in conformity with Proper Conduct of Banking Business Directive 313.

(4) The balance of off-balance sheet exposure includes NIS 7,744 million, mostly with respect to acquiring insurance from international reinsurers for the portfolio of housing bonds for borrowers in the real estate sector in Israel. (As of December 31, 2023: NIS 7,075 million).

(5) This exposure is with respect to insurance policies backing the mortgage portfolios in Israel. The insurer, incorporated in Barbados, is a subsidiary of an international insurance group incorporated in Canada.

(6) Balance sheet exposure includes NIS 3,408 million with respect to acquiring insurance from international reinsurers for the loan portfolio to finance land purchase for borrowers in the real estate sector in Israel. (As of December 31, 2023: NIS 3,354 million).

(7) The exposure to LDC countries includes countries defined as less developed, which are the countries classified by the World Bank as lower-middle-income countries.

Part B – Information regarding countries for which total exposure to each country is between 0.75%-1% of total consolidated assets or between 15%-20% of capital, whichever is lower (NIS in millions):

As of December 31, 2024 and December 31, 2023, there are no foreign countries for which the balance sheet exposure exceeds the threshold for this disclosure.

Part C – Information regarding balance sheet exposure to foreign countries facing liquidity issues

	For the year ended As of December 31, 2024	For the year ended As of December 31, 2023
	Barbados[1]	Barbados[1]
Exposure at start of reported period	5,353	5,803
Net changes to exposure	(496)	(450)
Exposure at end of reported period	**4,857**	**5,353**

In conformity with Bank of Israel directives, a country which has received aid from the International Monetary Fund is deemed a country with liquidity issues. The aforementioned exposure is to an insurer that backs mortgage portfolios, and liquidity in the country should not affect the repayment capacity in case of future claims by the Bank.

(1) This exposure is with respect to insurance policies backing the mortgage portfolios in Israel. The insurer, incorporated in Barbados, is a subsidiary of an international insurance group incorporated in Canada.

Credit exposure to foreign financial institutions

Information on Bank exposure to foreign financial institutions[(1)(2)] (NIS in millions):

External credit rating	On-balance sheet credit risk[(3)]	Current off-balance sheet credit risk[(4)]	Current credit exposure
	December 31, 2024		
AAA to AA-	6,348	5,171	11,519
A+ to A-	3,197	3,011	6,208
BBB+ to BBB-	3	-	3
BB+ to B-	-	-	-
Lower than B-	-	-	-
Unrated	10	13	23
Total credit exposure to foreign financial institutions	**9,558**	**8,195**	**17,753**

External credit rating	On-balance sheet credit risk[(3)]	Current off-balance sheet credit risk[(4)]	Current credit exposure
			December 31, 2023
AAA to AA-	6,894	4,682	11,576
A+ to A-	2,643	3,058	5,701
BBB+ to BBB-	1	-	1
BB+ to B-	-	-	-
Lower than B-	-	-	-
Unrated	18	21	39
Total credit exposure to foreign financial institutions	**9,556**	**7,761**	**17,317**

(1) Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional entities and entities controlled by the former. Bank exposure is almost entirely to banks and investment banks primarily incorporated in Ireland, England, the USA, Barbados, Germany, France and Switzerland.

(2) After deduction of provision for credit losses.

(3) Bank deposits, loans to the public, investment in bonds, securities borrowed or acquired in conjunction with resale agreements and other balance sheet credit risk with respect to derivatives.

(4) The balance of off-balance sheet exposure to financial institutions includes NIS 7,744 million as of December 31, 2024 (as of December 31, 2023: NIS 7,075 million) with respect to acquiring insurance from international reinsurers for the portfolio of housing bonds for borrowers in the real estate sector in Israel as well as guarantees and additional commitments to extend credit, including guarantees to secure indebtedness of third parties.

2024 was characterized by economic complexity, which the global financial system had to deal with. Many banks are still dealing with impairment in their securities portfolios, which was caused when interest rates started to increase, and there is concern with regard to increase in problem credit in certain sectors. At the end of September 2024, a move has started for reducing the interest rate on US dollar; however, the reduction rate, the period over which it will take place and the equilibrium interest rate are not yet known.

As from the first quarter of 2023, following the collapse of multiple banks in Europe and in the USA, the Bank expanded its close monitoring of exposures to financial institutions. Note that Bank exposure to the impacted financial institutions is very low.

The aforementioned credit exposure excludes exposure to financial institutions for which complete, explicit government guarantees are in place, and exclude investments in asset-backed securities. For more information with regard to credit exposure composition with respect to derivative instruments vis-à-vis banks and dealers/brokers (domestic and foreign), see Note 28.D. to the financial statements.

Some of the exposures listed in the above table are included under "Credit Risk by Economic Sector", under "Financial services". This includes deposits with banks, loans to the public, public investment in bonds and other assets with respect to derivatives. Futures transactions, weighted in accordance with rules stated in Proper Business Conduct Directive 313, are included as part of off-balance sheet credit risk, and are excluded from the above table.

In conjunction with its policies regarding management of exposure to foreign financial institutions, the Bank's Board of Directors sets, inter alia, the risk appetite – i.e. the maximum exposure limit for states and foreign financial institutions, while adjusting the exposure limit to the risk assessment for each state and financial institution. Exposure limits are set based, *inter alia*, on financial date of the various nations and financial institutions and on Bank assessment of the risk level in a manner which diversifies exposure.

Exposure limits per institution include maximum exposure amount and maximum time to maturity for different types of activities and transactions. To this end, the existence (or absence) of an offset agreement for derivative operations with this financial institution is also taken into consideration. The policies also specify a hierarchy of authority for approval of specific transactions within the exposure limits. The Bank adjusts the exposure limits from time to time as required.

Out of total Bank group exposure, NIS 693 million, is to international affiliates of financial institutions in the USA. This exposure is mostly to major US Banks rated A+ or higher, mostly Global Systemically Important Banks (G-SIBs), which are subject to strict regulatory requirements, including taking part in stress testing and increased capital requirements. All of these banks have a stable credit profile and diverse funding sources. They operate throughout the USA and globally, providing a wide range of retail, commercial and corporate banking services.

The Bank monitors public information and ratings, as well as any other information available with regard to financial institutions to which it has exposure, and adjusts the exposure limits and actual exposure as required.

The Bank takes into consideration the maturity dates of its credit exposures in conjunction with the Bank's liquidity requirements. Deposits are normally deposited for short terms, whereas exposure with respect to derivatives and investments in securities are for longer terms.

Residential mortgage credit risk

In conjunction with credit risk management, the Bank takes various actions to manage, control and mitigate risks associated with provision of residential mortgages. Residential mortgages account for a significant share of all credit risk at the Bank, but this segment is still highly diversified and has a Low-Medium risk level, due to extensive diversification of borrowers from various economic sectors, relatively low LTV ratios, extensive geographic diversification of pledged assets and use of various risk mitigators, including property and life insurance, to mitigate credit risk in this segment. The Bank's policies with regard to mortgages are based on a specific approach, limiting specific risk for each loan by reviewing various risk attributes. These attributes include: review of borrower quality and their capacity to make current repayments even under scenarios involving changes to interest rates, ratio of repayment to regular household income, review of transaction data and LTV ratio. The Bank sometimes requires additional bolstering for the loan, such as guarantors for the loan, proven repayment capacity not based on regular borrower income and other bolstering measures.

The Bank acts regularly to control and manage the risk associated with residential mortgages, for which the Retail Division, the Risks Management Division and other Bank entities are responsible. This activity also includes portfolio analysis and monitoring by key risk factors and estimation of portfolio risk using an advanced model for rating residential mortgages, including rating of each loan and calculation of probability of default and potential loss given default, as well as conducting various stress scenarios to review the effect of changes to macro-economic factors on the portfolio risk level, primarily the impact of change in unemployment, change in housing prices and change in interest rates.

When assessing borrower quality, the Bank considers, *inter alia*, the following: Per capita income, income stability, seniority and so forth. Moreover, approval of loans involves a high weighting attributed to the loan repayment to income ratio, so as to review the household repayment capacity, including under a scenario of higher interest rates.

The Bank also considers risk factors with regard to the transaction and to collateral, such as the loan purpose, LTV ratio, geographic location of collateral, findings on the appraiser report and so forth.

Risk appetite and risk profile in mortgage segment

As part of its credit risk policies, the Bank has set various restrictions on residential mortgage operations, to account for major risk factors. These factors are reviewed from time to time and additional restrictions are imposed as needed, i.e. based on the actual risk profile of the mortgage portfolio and its trend, as well as on regulatory directives from the Bank of Israel.

These restrictions, as a whole, form the Bank's risk appetite for mortgages is defined using multiple risk benchmarks, which evaluate credit risk and concentration risk aspects at regular performance level and the overall portfolio. These benchmarks include: the LTV ratio, property location (geographic risk), credit quality benchmark (see below under Credit Control), loan repayment to income ratio, loan purpose, loan term, loan track mix, property type, document quality, normative interest rate, financial wealth and cross restrictions on combinations of multiple parameters.

Regular monitoring of the risk profile of the mortgage portfolio and its evolution over time, in view of the specified risk appetite, shows that leading risk benchmarks remain stable and do not indicate material deterioration or change in risk level; however, there is uncertainty with regard to the war's long-term effects. These benchmarks include: LTV ratios, repayment ratio, rate of obligation in default and, in particular, the rate of arrears for new loans (one year since origination), which is testimony to the high quality of underwriting at the Bank. Note that the average LTV ratio for the Bank's mortgage portfolio (at end of December 2024) was 55.1% (reflecting the LTV ratio upon loan origination – see more details below).
The Bank constantly reviews the risk measures and risk levels, adapting them as required to current business activity, subject to and in line with the risk appetite.

Volume of mortgages granted by the Household segment is as follows:

	Loans granted (NIS in millions)			Change in %	
	2024	**2023**	**2022**	**2023-2024**	**2022-2023**
Mortgages issued (for housing and any purpose) out of Bank funds	36,717	25,980	41,052	41.3	(36.7)
From funds of the Finance Ministry:					
Directed loans	152	123	197	24.1	(37.8)
Standing loans and grants	174	111	89	56.3	25.0
Total new loans	**37,043**	**26,214**	**41,338**	**41.3**	**(36.6)**
Refinanced loans	8,684	8,016	5,113	8.3	56.8
Total loans originated	**45,727**	**34,230**	**46,451**	**33.6**	**(26.3)**
Number of borrowers (includes refinanced loans)	65,040	48,516	59,581	34.1	(18.6)

Below are details of various risk attributes of the residential mortgage portfolio(1) as of December 31, 2024 (NIS in millions):

LTV ratio	Repayment ratio out of regular income	Up to 3 months	3-12 months	1-2 years	2-5 years	5-10 years	Over 10 years	Total
		Loan age(2) (time elapsed since loan grant)						
Up to 60%	Up to 35%	4,101	10,473	10,534	39,803	31,213	15,272	111,396
	35%-50%	946	2,567	3,008	8,186	4,975	3,381	23,063
	50%-80%	2	3	5	78	63	825	976
	Over 80%	-	-	-	4	10	62	76
60%-75%	Up to 35%	2,757	7,377	6,192	31,458	15,377	5,572	68,733
	35%-50%	1,214	2,837	2,600	7,272	2,088	1,153	17,164
	50%-80%	-	-	3	32	19	227	281
	Over 80%	-	-	-	-	-	11	11
Over 75%	Up to 35%	84	282	289	833	468	1,022	2,978
	35%-50%	18	62	64	151	74	238	607
	50%-80%	-	-	-	4	5	60	69
	Over 80%	-	-	-	-	-	10	10
Total		**9,122**	**23,601**	**22,695**	**87,821**	**54,292**	**27,833**	**225,364**
Of which:								
Loans granted with original amount over NIS 2 million		1,563	3,817	3,952	11,985	3,810	1,376	26,503
Percentage of total residential mortgages		17.1%	16.2%	17.4%	13.6%	7.0%	4.9%	11.8%
Loans bearing variable interest:								
Non-linked, at prime lending rate		137	385	1,984	27,541	15,019	8,699	53,765
CPI-linked(3)		474	2,143	1,074	6,125	788	2,369	12,973
In foreign currency(3)		27	16	115	1,189	884	741	2,972
Total		**638**	**2,544**	**3,173**	**34,855**	**16,691**	**11,809**	**69,710**
Non-linked loans at prime lending rate, as percentage of total residential mortgages		1.5%	1.6%	8.7%	31.4%	27.7%	31.3%	23.9%
CPI-linked loans bearing variable interest as percentage of total residential mortgages		5.2%	9.1%	4.7%	7.0%	1.5%	8.5%	5.8%
Loans with LTV over 75% as percentage of total residential mortgages		1.1%	1.5%	1.6%	1.1%	1.0%	4.8%	1.6%

(1) Recorded debt balance.
(2) The loan balances presented above are aged based on the date of loan origination, and include under the same age group any loan balances actually provided at a later date. Furthermore, loan refinancing does not modify the loan age, i.e. the loan balance is attributed to the original loan origination date. This treatment also applies to refinancing of "directed" loans originally guaranteed by the State and refinanced to loans for which the Bank is responsible.
(3) Pursuant to directives by the Supervisor of Banks, these include loans for which the interest rate is adjusted more frequently than once every 5 years (not inclusive).

Attributes of the Bank's residential mortgages portfolio

The Bank's policies with regard to mortgages are based on a conservative approach, limiting specific risk for each loan by evaluating various attributes. These attributes include: LTV ratio, ratio of repayment to regular borrower income, and borrower capacity to make current repayments even under scenarios involving a change in interest rates. Whenever loans are granted with attributes which do not meet one or more of the standards set by the Bank for these attributes, the Bank requires additional bolstering for the loan, such as guarantors for the loan, proven repayment capacity not based on regular borrower income, and other additional reinforcements.

LTV

One of the key parameters used by the Bank in minimizing risk in its residential mortgage portfolio is the LTV ratio (ratio of loan amount to value of the property pledged as collateral).

The average loan-to-value ratio for the Bank's mortgage portfolio as of December 31, 2024 was 55.1%, compared to 55.0% on December 31, 2023 and to 54.6% on December 31, 2022. Out of the total loan portfolio of the Bank, amounting to NIS 225.4 billion, some 98.4% were granted with an original LTV ratio under 75%, which secures the loan even in case of an extreme 25% decrease in value of the property pledged as collateral.

The LTV ratio is the historical LTV ratio calculated upon loan approval, and does not account for any current repayments which reduce the loan balance nor any changes in value of properties pledged as collateral. The increase in housing prices, and conversely, reduced loan balances due to current repayments result in a decrease in the current LTV ratio and, as noted above, based on changes to property values as estimated by the Central Bureau of Statistics, against current portfolio balances. This ratio is lower than the historical LTV ratio. Total loans granted at LTV ratios over 75% in the past two years amounted to NIS 0.8 billion, or only 0.4% of the total residential mortgage portfolio.

Note, in this regard, that the Bank's average LTV ratio as of December 31, 2024, based on current outstanding balances (with no change to property value due to changes in housing prices) would have decreased as follows: For loans originated up to one year ago – by 3.3%. For loans originated one to 5 years ago – by 4.8%; for loans originated over 5 years ago – by 16.7%; for all loans in total – by 8.8%.

The percentage of loans granted with a high LTV ratio (over 75%) out of total residential mortgage portfolio of the Bank is 1.6% for loans granted 1-2 years ago, 1.5% for loans granted 3-12 months ago and 1.1% for loans granted in the fourth quarter of 2024.

Repayment as percentage of regular income

The LTV ratio of a residential mortgage is a benchmark of loan security, regardless of borrower attributes. Therefore, in addition, when a mortgage is approved, the Bank requires borrowers to show their capacity to make current loan repayments on schedule, primarily by calculating the ratio of monthly repayment to regular borrower income.

The average repayment ratio for the Bank's residential mortgage portfolio is 26.4%. Some 81.4% of the Bank's mortgage portfolio were granted to borrowers with a repayment ratio under 35% (the average repayment ratio for these borrowers is: 23.4%). Some 18.0% of the mortgage portfolio were granted to borrowers with a repayment ratio of 35% to 50% (the average repayment ratio for these borrowers is: 38.8%). Only 0.6% of all mortgages were extended to borrowers with a repayment ratio over 50%.

The loans with a high repayment ratio are loans granted to borrowers with significant other assets, or with high free per capita income net of mortgage repayment, or whose repayment capacity is not necessarily based on current income, or where additional bolstering of the loan is in place, in addition to the pledged property and repayment capacity of the borrower, such as financially stable guarantors. Moreover, approval of loans to such customers involves a high weighting attributed to the loan repayment to income ratio in conformity with a "normative interest rate", so as to review the household repayment capacity under a scenario of higher interest rates.

Loans bearing variable interest

The Bank offers customers residential mortgages which in part bear adjustable interest and in part are linked (to CPI, foreign currency) or non-linked (NIS-denominated loans).

The Bank of Israel’s directives restrict the variable interest rate from the sum of the loan so that at least one third of the mortgage that must bear fixed interest remains, and up to two thirds may be extended bearing variable interest.

The Bank provides customers with the knowledge and expertise of its staff in order for customers to understand the risk involved with a loan bearing adjustable interest and how this risk may be mitigated or avoided. The Bank advises customers to attribute appropriate weighting to this risk, and to be cautious when deciding upon the loan composition.

Loan amount

Loans granted by the Bank with an original amount over NIS 2 million amounted in total to NIS 26.5 billion on December 31, 2024, constituting 11.8% of the Bank's residential mortgage portfolio.

Means for risk management in residential mortgages

Means for risk management in residential mortgages include:

- Underwriting process – residential mortgages are reviewed and approved by a process which includes the following:
  - Criteria specified in Bank procedures, reflecting: The Bank's cumulative experience in connection with residential mortgages. Loan approval criteria include, among other things: Nature of the transaction, borrower quality and repayment capacity, property collateral offered, including estimated credit risk in various regions of the country, and the guarantors.
  - Credit authorization – Specification of the party authorized to approve a loan is based on data in the credit application and the risk associated there with.
  - Model for determination of differential risk premium – This model was developed by the Bank, based on past empirical data, for rating the individual borrower risk level.
  - Built-in controls in loan origination system – These controls include: Ensure information completeness; Control over transactions based on authorizations; Work flow process.
- Mortgage-related training – The Bank's Training Center delivers courses for training, development and improvement of all those involved in provision of residential mortgages.
- Professional conferences – In these conferences, extensive reviews of developments in the mortgage market are presented, along with steps to be taken to handle the risks associated with such developments.
- Regular monitoring of borrower condition and of the residential mortgage portfolio – At the individual loan level, the Bank acts to identify as early as possible any symptoms indicating a decline in borrower repayment capacity, in order to identify as soon as possible any credit failure situation. The Bank applies multiple control types, including regular internal controls at branches, regions and headquarters.

Entities participating in risk management and control for residential mortgages

- Mortgage Management Department of the Retail Division – This department handles different events which occur during the loan term.
- The National Examination Center of the Retail Division – Loan files are sent to this Center prior to origination. These files are reviewed by the Center based on risk, in order to verify that the branch did carry out the actions required according to Bank procedures, regulations and instructions of the loan approver.
- Collection Department – Handles debts collection from borrowers in arrears and realization of properties.
- Arrears Forum – The Forum specifies actions for handling debts and for reducing arrears.
- Legal Division – As part of the underwriting process, collateral for non-standard loans and for high-value loans are reviewed.
- Financial Information and Reporting Division – regularly monitors and presents data for arrears, classification and provisions for credit losses in the residential mortgage portfolio.
- The Risk Management Division monitors the quality of the Bank's loan portfolio and the evolution of the Bank portfolio's risk profile, in view of the specified risk appetite. The division is responsible for regularly applying stress scenarios to the Bank's mortgage portfolio.
- Credit risks and credit concentration monitoring forum – The Bank operates a forum for monitoring credit risks, headed by the Manager, Risks Control Division, which promotes issues such as: review of credit policy and, in particular, changes to the risk appetite specified there, analysis of credit portfolio risk level, application of advanced modeling approaches, supervision of design and application process of stress scenarios, and monitoring of the risk profile of the Bank's loan portfolio.
- Internal Audit – The work plan for Internal Audit with regard to loans includes, *inter alia*, reference to review of entities involved in loan approval, origination, administration and control.

Tools for risk mitigation in residential mortgages

- Collateral – In accordance with Bank procedures for mortgages, loans are only provided if secured by property collateral. In some cases, the Bank demands guarantors for the debt, in addition to property collateral.
- Insurance – According to Bank procedures and in conformity with directives of the Bank of Israel, all properties serving as collateral must be insured under property insurance. In addition, the borrowers are insured by life insurance assigned to the Bank in case of death prior to complete repayment of the loan. This credit insurance process is a key risk mitigator.
- Loan To Value (LTV) Ratio – The maximum LTV ratio approved by the Bank is determined by the credit policies and is periodically reviewed. Generally, the Bank requires borrowers to contribute part of the financing for the acquisition. This self-equity payment forms a safety cushion in case the property is realized during a down-turn in the real estate market. Furthermore, the rate of the borrower's participation is a further indication of the borrower's financial stability.

For more information about operations of these entities, see the 2024 Risks Report on the Bank website.

Sale of residential mortgage portfolios

Transactions involving sale of residential mortgage portfolios transfer the entire credit risk from the Bank to the buyer, and are backed by legal and accounting opinions that establish a True Sale. The Bank only retains the operational risk, with respect to the Bank's commitment to the buyer to operate these loans, to collect and transfer funds and to provide regular reports. In order to minimize this operational risk, the Bank has created a computer-based operational mechanism to manage these loans and to generate regular reports to the buyers. Moreover, an annual external review (ISAE3402) is conducted of the integrity and effectiveness of processes and controls for management of the loan portfolios sold.

For more information about residential mortgages risk, see also the 2024 Risks Report available on the Bank website.

Environmental risks

For more information about environmental risks, see Other Risks below.

Market risk and interest risk

Risk Description

Market risk – This is the risk of loss from on– and off-balance sheet positions, arising from change in fair value of financial instruments, due to change in market risk factors (interest rates, exchange rates, inflation, prices of equities and commodities).

Interest rate risk in the banking portfolio is the risk to Bank profit (change in revenues) or to the Bank's economic value, primarily due to changes in the structure of interest rate curves relevant for Bank operations, non-identical fluctuations of various curves used by the Bank for pricing and management of its exposures, or from the fact that a change in interest rates may result in a change in composition of the Bank's assets and liabilities due to exercise of options for early repayment due to change in market interest rates.

Overview of market and interest risk and guidelines for its management

The Bank has no exposure to commodities and its exposure to equities is not material; thus, the Bank's major exposure to market risk is due to basis risk – which is due to Bank assets and liabilities being denominated in different currencies or linkage segments – and to interest risk in the banking book. Changes to interest rates impact Bank profits (change in revenues) and the value of Bank assets (change in fair value).

Market risk and interest risk form an integral part of banking business and of management of Bank assets and liabilities. However, excessive market risk and/or interest risk may expose the Bank to loss and may pose a threat to Bank capital.

The policy document for management of market and interest risks stipulates the principles whereby the Bank should act in order to identify, measure, monitor, review and control the market risk and interest risk on a regular basis, both in the normal course of business and in times of stress. Policy principles were specified in line with Bank strategy and with regulatory requirements, i.e. Proper Banking Conduct Directives of the Bank of Israel, relevant Basel Committee directives and in line with globally accepted best practice.

Market risk and interest risk are managed at Group level, including the Bank's overseas affiliates and subsidiaries. Operations vis-à-vis Bank Yahav are regularly coordinated, in particular for setting the Group risk appetite, which requires monitoring of the Group-level risk profile.

Management of market risk and interest risk at the Bank consists of two main risk focus points:

- Bank portfolio – This portfolio, which is the Bank's primary activity and risk, consists of all transactions not included in the trading portfolio, including financial derivatives used to hedge the bank portfolio. This portfolio is exposed to interest and inflation risk. The measure of exposure which the Bank wishes to retain is due to the Bank's business activity. This exposure is limited by the risk appetite, specified individually for market risk and interest risk in the bank portfolio, which is reviewed by the Bank using various tools and models. Any deviation from or even getting close to the specified exposure limits are regularly reported and immediately addressed, in conformity with principles specified in the policy document created by the Bank. Management of this risk is designed to maintain a risk level, in conformity with the risk appetite specified for such risk, while taking advantage of opportunities and constant monitoring of the risk profile, so that the Bank would not be exposed to significant losses.
- trading portfolio – The portfolio consists of positions in financial instruments held for trade or for hedging of other components in the trading portfolio. The consolidated portfolio includes portfolios managed by the trading room and portfolios of bonds held for trade and strategy in Israeli currency and in foreign currency – as well as derivatives designated for execution of strategies. The portfolio also includes hedging transactions for instruments included in the trading portfolio. The risk associated with this portfolio is Low.

The Bank of Israel directives relevant for market and interest risk management are: Proper Conduct of Banking Business Directive 339 "Market Risks Management"; Proper Conduct of Banking Business Directive 333 "Interest Risk Management", which expands the regulations with regard to interest risk, mostly with regard to Bank activity in the bank portfolio, which was revised lately and will come into effect in July 2025; and Proper Conduct of Banking Business Directive 208 "Capital Measurement and Adequacy", with regard to definition of revaluation management and capital allocation under Pillar 1 with respect to the trading portfolio.

The Bank is required to allocate capital with respect to interest risk and equities in the trading portfolio, for exchange rate risk for all banking activities and for options risk. The Bank uses the effective duration method in measuring interest risk, and the Delta Plus method in measuring options risk. This method quantifies the risk associated with operations of the options portfolio based on the discounting values. These reflect the sensitivity of the options portfolio to movements in the underlying asset and in standard deviation.

The Bank's exposure to equities is low; the Bank has a limited equity portfolio in the nostro portfolio and in the real investments portfolio. Bank operations in the trading portfolio, as noted above, are subject to restrictions which reflect low risk appetite and therefore, the Bank's capital allocation with respect to market risk is very low.

Overall market risk is categorized as Low-Medium. The market risk in the trading portfolio is minimal, in line with Bank policy. The bank portfolio includes the positions not classified as negotiable positions in the trading portfolio. The Bank handles interest risk in the bank portfolio and overall additional capital allocation with respect thereto, in conformity with Basel Pillar 2. Capital allocation in conformity with Basel Pillar 2 is reviewed both under scenarios which reflect the normal course of business and under stress scenarios, including systemic scenarios and stressed scenarios. This is done as part of the ICAAP process, as described in chapter "Capital adequacy".

The structure of the Bank's assets and liabilities portfolio, which is weighted towards the mortgage portfolio, produces medium-term uses for which the Bank requires sources. Due to incomplete alignment of the average duration of uses and the average duration of sources, the Bank's economic value is exposed to changes in interest rate curves.

This risk is monitored on a regular basis, both in managing interest risk for the overall portfolio in VAR terms, and in EVE (Economic Value of Equity) terms, as well as another range of scenarios which mostly reflect stress conditions. The Bank’s exposure to interest risks in the fourth quarter of 2024 is assessed at medium, due to the high uncertainty and potential impact on borrower and depositor behavior, in particular the trend of balance transition from current accounts to deposits and changes to mortgage performance mix towards options less sensitive to changes in interest rates.

It is Bank policy to raise unique deposits which both answer customer needs and hedge interest rate exposures.

For more information about these models, their use and their limitations, see the 2024 Risks Report on the Bank website.

Means of supervision over and implementation of the policy

The Bank has put in place an organizational structure for management of market risks and interest risks in the bank portfolio, which includes the Board of Directors, management and the three lines of defense. This structure is supported by special committees and forums, created for such risks management and in order to create an internal controls system, designed to prevent deviation from Bank policy in its activity in the trading portfolio and in the bank portfolio.

For more information about market and interest risk, see also the 2024 Risks Report available on the Bank website.

Hedging and risks mitigation policy

A major tool for management and mitigation of interest risk is setting fund transfer pricing at the Bank (FTP). Fund Transfer Prices (FTP) at the Bank are determined daily by the Asset and Liability Management Department (hereinafter: "ALM") of the Financial Management Sector and reflect the needs for management of various exposures under the policy on risk / reward management.

Another tool is buying / selling government bonds. The Asset and Liability Management Department of the Financial Management Sector also manages the interest and/or basis position through forward contracts, swap transactions and options. The advantages of using these tools stem from the ability of rapid execution at large amounts, which allows for dynamic, effective management of market and interest exposures for asset and liability management by the Bank, within a reasonable time frame. In addition, these transactions are unfunded, are highly liquid and are conducted through the Bank's trading room.

Derivatives transactions, which are identified as hedging balance sheet positions in accordance with accounting rules, are to be specified as hedge accounting transactions, in accordance with the Bank's hedging procedure. Hedge effectiveness is the degree of correlation between changes in fair value or between cash flows of the hedged item and of the hedging derivative. The hedge is considered highly effective if the changes in fair value or cash flows of the hedged item, are nearly fully set off by changes in fair value or cash flows of the hedged instrument. Hedge effectiveness is tested quarterly.

At least once a year, the Bank reviews the underlying assumptions of models used to manage market and interest risks, including behavioral assumptions made in order to determine forecasting of certain instruments.

The Bank constantly acts to increase awareness of market and interest risks in the bank portfolio at Group level, including at overseas units of the Bank, through operating procedures, training and seminars on this topic. Furthermore, constant contact is maintained with all relevant units for management of market and interest risk. Coordination between units is designed to achieve a uniform methodology for management of market and interest risks in the bank portfolio.

Measurement of market and credit risks exposure and their management using models for risks management

Measurement of market and interest risks is supported by a wide range of information systems, models, processes, risk benchmarks and stress tests, which are regularly evaluated, through internal controls processes at the Bank, including continuous validation processes.

The Bank has two major models for managing its market and interest risks: The VAR and EVE models. The Bank calculates these benchmarks, as well as other benchmarks used for management of such risks, at least once per day.

The VAR model is a statistical model that estimates the loss expected for the Bank in a certain investment period and at a predetermined statistical level of assurance. This model measures risk level in terms of money, where the Bank aligns the investment horizon for the portfolios reviewed using this benchmark. The Bank uses a combination of multiple methods for VAR calculation, commonly used around the world. The VAR calculation is in addition to a back testing calculation, designed to review the quality of its calculation estimates, i.e. review the model forecast, compared to actual results.

EVE (Economic Value of Equity) is a model which reflects the economic value approach. This is the Bank's main model for estimating interest risk in the bank portfolio, which evaluates changes in economic value of the portfolio under various assumptions of changes to interest rate curves, under normal conditions and under stress conditions, including a concurrent increase / decrease in the interest rate curve and scenarios of non-concurrent increase/decrease in the interest rate curve. In addition, the Bank has various stress tests at different severity levels, designed to review its risk profile under stress conditions, in view of the risk appetite determined by the Board of Directors. The Bank also applies innovative methods to review interest risk in the bank portfolio under emergency conditions, including under stress scenarios of an economic outline. This scenario is based on the Bank's understanding as to development under stress conditions of macro-economic conditions relevant for these risks.

Due to the security situation, as from October 8, 2023 the Emergency Financial Forum, headed by the Manager, Finance Division, convenes often to discuss management of financial risk that may arise due to the war.

To date, the war impact on exposure to interest and currency risks is not material. However, due to continued uncertainty with regard to potential developments in changes in the macro-economic environment in Israel and world-wide, continuation of uncertainty with regard to the Russia-Ukraine war and their impact on the Bank, close monitoring of potential effects of such changes on Bank activity and risk assessment continues, even to a higher degree. Risk values measured in the normal course of business and under stress scenarios were higher in this quarter, due to current banking operations. Furthermore, the Bank continued to strictly manage its CPI-linked position, based on creating a daily linkage balance sheet and establishing a forecast position under various scenarios.

Below is the VAR for the Bank Group (NIS in millions):

	2024	**2023**
At end of period	1,487	1,666
Maximum value during period	(Feb.) 1,734	2,522 (November)
Minimum value during period	(Sep.) 1,409	(Jan.) 875

Market risk is primarily due to interest risk in the bank portfolio, as presented below.

The high value at maximum risk, observed in November 2023, is due inter alia to the sharply higher price volatility due to the “Iron Swords” war. After price volatility became more moderate at end of the fourth quarter of that year, risk values returned to a lower level, similar to the pre-war levels.

The back-testing of the VAR model in the comprehensive portfolio indicates that the model is in order.

Analysis of interest risk in bank portfolio

Below is the effect(1)(2) of a parallel shift of the curve by 2% on the economic value of the Bank's portfolio in EVE terms (NIS in millions):

	December 31, 2024					
	Change in fair value					
	Israeli currency		Foreign currency			
	Non-linked	Linked to CPI	USD	EUR	Other	Total
2% increase	(2,169)	(1,557)	(84)	66	29	(3,727)
2% decrease	1,948	1,560	(185)	(70)	(29)	(284)
	December 31, 2023					
2% increase	(1,766)	(2,393)	608	10	22	(3,519)
2% decrease	2,182	2,774	(605)	19	(24)	4,346

(1) Calculated based on current data used for actual interest risk management.

(2) Starting from the second quarter of 2024 the reported results f the scenario do not include offsetting between the results of the scenario in NIS currency and foreign currency (according to the standard approach).

In preparing the mortgage repayment cash flows forecast for the Bank, assumptions with regard to the prepayment rate and manner are taken into account. Credit balances in checking accounts are attributed in line with common practice in conformity with the Basel directives, i.e. over an average term of 4-5 years for different customer types. The Bank regularly reviews the risk estimation methodology, in line with global common practice.

Quantitative information about interest risk – Sensitivity analysis

Net adjusted fair value(1) of financial instruments of the Bank and its subsidiaries thereof:

	As of December 31, 2024			As of December 31, 2023		
	NIS	Foreign currency(2)	Total	NIS	Foreign currency(2)	Total
Net balance sheet balance(1)	30,433	(108)	30,325	27,413	(335)	27,078
Net adjusted fair value(1)	30,178	430	30,608	(3)25,540	1,028	26,568
Of which: Banking portfolio	21,961	(1,086)	20,875	(3)18,262	(327)	17,935
Of which: Effect of attribution of on-call deposits to terms	4,674	594	5,268	4,053	773	4,826
Of which: Effect of early repayment of residential mortgages	(235)	(40)	(275)	1,005	(21)	984
Of which: Impact of early receptions of public deposits	23	-	23	(65)	-	(65)

Impact of change scenarios in interest rates on net adjusted fair value(1) of the Bank and its subsidiaries:

	As of December 31, 2024			As of December 31, 2023		
	NIS	Foreign currency(2)	Total	NIS	Foreign currency(2)	Total
Concurrent changes						
Concurrent 1% increase	(1,994)	(129)	(2,123)	(1,872)	290	(1,582)
Of which: Banking portfolio	(1,972)	(115)	(2,087)	(1,863)	295	(1,568)
Of which: Effect of attribution of on-call deposits to terms	1,459	313	1,772	1,148	314	1,462
Of which: Effect of early repayment of residential mortgages	2,737	4	2,741	2,259	2	2,261
Of which: Impact of early receptions of public deposits	(183)	-	(183)	(241)	-	(241)
Concurrent 1% decrease	1,539	(181)	1,358	1,501	(393)	1,108
Of which: Banking portfolio	1,514	(195)	1,319	1,490	(400)	1,090
Of which: Effect of attribution of on-call deposits to terms	(1,563)	(333)	(1,896)	(1,234)	(334)	(1,568)
Of which: Effect of early repayment of residential mortgages	(3,357)	(4)	(3,361)	(2,771)	(3)	(2,774)
Of which: Impact of early receptions of public deposits	197	-	197	258	-	258
Non-concurrent changes						
Steepening(4)	(936)	56	(880)	(1,353)	92	(1,261)
Flattening(5)	404	15	419	779	35	814
Short-term interest increase	(269)	173	(96)	(243)	286	43
Short-term interest decrease	355	(176)	179	355	(294)	61

(1) Balance sheet and net fair value of financial instruments, except for non-monetary items, after effect of liability with respect to employee rights and attribution of on-call deposits to the terms.

(2) Includes Israeli currency linked to foreign currency.

(3) Reclassified.

(4) Short-term interest decrease and long-term interest increase.

(5) Short-term interest increase and long-term interest decrease.

The difference between exposure of the bank portfolio to changes in interest according to net adjusted fair value and sensitivity of economic value (EVE) presented above arises from timing differences only.

This calculation allows for scenarios which may result in negative interest rates and does not cap interest rates at 0%.

See Note 33 to the financial statements for additional information.

Note that the internal rate of return and the average effective duration, as presented under Bank exposure to changes in interest rates on the Risks Report, are average data and therefore it is not possible to make deductions based on a linear change thereto with regard to sensitivity of net adjusted fair value to changes in interest rates.

Impact of change scenarios in interest rates on net interest revenues and non-interest financing revenues[(1)(4)]:

	As of December 31, 2024			As of December 31, 2023		
	Interest revenues	Non-interest financing revenues[(3)]	Total	Interest revenues	Non-interest financing revenues[(3)(5)]	Total
Concurrent changes[(2)]						
Concurrent 1% increase	(39)	297	258	64	105	169
Of which: Banking portfolio	(40)	315	275	56	79	135
Concurrent 1% decrease	(444)	(142)	(586)	(866)	(491)	(1,357)
Of which: Banking portfolio	(442)	(164)	(606)	(857)	(469)	(1,326)

(1) For a one-year term.
(2) Changes to risk-free interest.
(3) Includes the effect of fair value, gain (loss) from transactions in bonds and the effect of interest accrual for transactions in derivatives.
(4) An interest increase/decrease scenario features is an assumption of the purchase/sale of bonds as well as the diversion of checking accounts to deposits. The decline in the Bank portfolio's sensitivity to decline in interest rates in this year arises both from operating activities and from revision to the behavioral assumptions regarding rates of diversion from interest-bearing deposits to current accounts.
(5) Reclassified.

Impact of change scenarios in interest rates equity attributed to Bank shareholders:

	As of December 31, 2024	As of December 31, 2023
	NIS in millions	
Concurrent 1% increase	(43)	(96)
Concurrent 1% decrease	17	80

Below are the key assumptions underlying the above data, which are in line with how the Bank manages interest risk:

- Credit balances in checking accounts are attributed in line with common practice in conformity with the Basel directives, i.e. over an average term of 4-5 years for different customer types.
- When calculating sensitivity of interest revenues, the risk-free interest rate is not capped at a minimum of 0%. In the same way, no cap is applied to the discount rate at 0% when calculating non-interest financing revenues.
- It was assumed that under a scenario of rising interest rates, funds would be diverted from current account balances to interest-bearing deposits and/or changes to bonds in the nostro portfolio. On the other hand, under a scenario of declining interest rates, it is expected that funds would be diverted from interest-bearing deposits to current accounts.

Under the concurrent scenario of interest rate increase by 1%, the capital reserve with respect to securities is expected to decrease by NIS 248 million.

For more information about interest risk, see the Detailed Risk Management Report on the Bank website.

For further details of assumptions used in calculation of the fair value of financial instruments, see Note 33 to the financial statements.

CPI and exchange rate

Review of inflation and exchange rate risk and principles for management thereof

Inflationary exposures – The Bank has inherent exposure to negative inflation due to Bank activity in the bank portfolio, including excess CPI-linked mortgages over CPI-linked sources. The risk management policy is in line with expected profit from holding a position and the Bank's capacity to reduce the exposure within a reasonable time frame, subject to the specified risk appetite. The actual exposure is estimated as part of the risk appetite benchmarks and models applied by the Bank to all market risks. Risk is assessed as Low-Medium, reflecting the exposure and expected inflation.
Currency exposures – It is Bank policy to maintain minimal (operating) currency positions, except for specific strategic positions approved by the different committees and/or ForEx positions in the trading portfolio, managed by the Trading Room and/or the Nostro Unit, subject to relatively low exposure limits specified. Foreign currency strategic positions are capped by a Stop Loss mechanism to restrict and mitigate risk. The Bank's overall currency risk level is low.
Derivatives in the bank portfolio used for economic hedging of balance sheet activity, or which cannot be defined as an accounting hedge, impact accounting profit and loss. The gap derives from difference in accounting treatment between balance sheet items and derivatives other than accounting hedges. This effect is regularly monitored and managed subject to guidelines specified by management, by the Financial Management Sector and is reported and discussed by various risk management committees.

Presented below are major data reflecting CPI and exchange rate exposures, as reflected in the financial statements, while relating to the difference between the accounting presentation and measurement of economic exposure:

Financial capital – As of December 31, 2024, the Group capital exceeded its non-monetary items by NIS 29.3 billion. Free capital of the Group, which includes financial capital, was used in 2024 to finance uses in the NIS segment, in line with current policies on resource and use management in the bank portfolio.

Linkage status – Details on the assets and liabilities in the various linkage segments at December 31, 2024 and 2023 are presented in Note 31 to the financial statements. However, the extent of the Bank's economic exposure is not fully reflected in the positions included in this note because of differences between the accounting approach and the economic approach with regard to capital items, non-monetary items and investments in investee companies, as explained below.

Surplus CPI-linked assets of the Group, which include balance sheet and off-balance-sheet items as of December 31, 2024 as presented in Note 31 to the financial statements, amounts to NIS 28.6 billion, representing the economic exposure. In December 2023, excess assets in this segment amounted to NIS 30.5 billion.

Excess sources in foreign currency for the Group as of December 31, 2024 amounted to NIS 34 million.

The Bank has CPI-linked uses due to current operations in the mortgage portfolio linked to the CPI, for which the Bank raises CPI-linked sources, including bond issues and deposits from the public. The Bank uses financial derivatives to actively manage this exposure, in line with the specified exposure policy.

The Report of the Board of Directors and Management presents the Group's exposure to interest on a consolidated basis, presented in terms of average effective duration and in terms of fair value. Cash flows used in calculating exposure are based on assumptions with regard to withdrawal rates at exit points for deposits and early mortgage repayment rates. The percentage of withdrawals is based on empirical data.

For further details of assumptions used in calculation of cash flows and fair value of financial instruments, see Note 33 to the financial statements.

Analysis of CPI and exchange rate exposures

Set forth below is an analysis of the sensitivity of Bank Group capital to changes in major exchange rates and in the CPI (before tax effect) as of December 31, 2024.

Capital increase (erosion) (NIS in millions):

	Scenarios				Historical stress scenario[1]	
	10% increase	5% increase	5% decrease	10% decrease	Maximum increase	Maximum decrease
CPI[2]	2,840.3	1,420.1	(1,420.1)	(2,840.3)	321.8	(254.8)
USD	34.1	8.0	0.7	5.4	4.0	(1.4)
GBP	(0.3)	(0.2)	0.2	0.5	(0.1)	0.3
JPY	1.9	0.9	(0.8)	(1.4)	0.9	(0.9)
EUR	6.9	2.2	(0.3)	(0.9)	1.2	(0.3)

(1) Stress scenarios were calculated based on daily changes in the exchange rate and monthly changes in the CPI, in the last 10 years.
(2) Capital sensitivity to a 3% increase/decrease in the CPI is NIS 852.1 million and NIS (852.1) million, respectively.

Share price risk

For more information about share price risk, see the 2024 Risks Report available on the Bank website.

For more information about equity investments in the bank portfolio, see chapter "Major investee companies" above, the 2024 Risks Report on the Bank website and Notes 12 and 15.A to the financial statements.

Liquidity and financing risk

Risk Description

Liquidity risk – risk due to uncertainty about resource availability and the capacity to realize assets in a specified time at a reasonable price.

Financing risk – risk resulting from shortage of financing sources or too high costs to raise such sources.

Liquidity risk is managed subject to the limitations of the Board of Directors and Management in an effort to minimize the losses deriving from an investment of surplus liquidity in assets that are highly liquid, but have a low yield.

In 2024 there were no recorded deviations from the Board of Directors' restrictions.

Liquidity risk remained low-medium. In light of the ceasefire agreement in the southern front, which came into effect in January 2025 and in view the calm in the markets, it was decided to lower the Bank's state of alert regarding liquidity by one notch, after it has increased by one notch since the outbreak of the war and due to the security situation and its effects.

The Bank closely monitors the potential changes in the situation. In practice, no events nor indications were observed which would indicate realization of a liquidity event.

Overview of liquidity risk and guidelines for management

Liquidity risk is managed in conjunction with Proper Conduct of Banking Business Directive 310 "Risks management", Directive 342 "Liquidity risk management", Directive 221 "Liquidity coverage ratio" and Directive 222 "Net stable funding ratio". The risk is managed subject to the limitations of the Board of Directors and Executive Management in an effort to minimize the losses deriving from an investment of surplus liquidity in assets that are highly liquid, but have a low yield.

The Bank's Board of Directors sets strategy for liquidity risk management and the risk appetite in conformity with regulatory requirements, using a range of restrictions on three risk dimensions: Normal course of business, scenarios (liquidity coverage ratio, net stable funding ratio and minimum liquidity ratio – internal model) and concentration. Bank management has specified a further set of restrictions to serve as management guidelines – beyond those specified by the Board of Directors.

The Bank applies tools for monitoring liquidity risk using endogenous and exogenous indicators, which may point to an increase in risk up to crisis status. The Bank developed an integrated benchmark for monitoring financial markets in Israel, in order to identify any instability in the financial system in Israel – this benchmark is a decision-support tool for declaring a state of alert due to systemic failure.

In 2024 there were no recorded deviations from the Board of Directors' restrictions.

For more information about liquidity risk, see also the 2024 Risks Report available on the Bank website.

Overview of financing risk and guidelines for its management

Financing risk is managed, as part of the liquidity risk, using Board and Management restrictions on concentration of financing sources and through reduced dependence on material counter-parties.

Concentration of financing sources is monitored through a wide range of restrictions set by the Board of Directors, management as well as by key risk indicators, classified into several sub-categories: Size, customer type, individual depositor, number of customers, product, currency and average deposit term. A "comprehensive index" was defined, which averages all indicators related to concentration of financing sources. Current management of source composition includes setting policy on source diversification and financing terms as well as setting specific targets for risk benchmarks. Concentration is monitored daily and is regularly managed and reported.

The Bank's main financing sources are stable and diverse sources for different time horizons – retail and business deposits, long-term deposits from financial institutions and issues of bonds and obligatory notes. The Bank sees the great importance of diversification of its financing sources and acts proactively to identify sources for longer terms, including through a wide range of deposits offered by the Bank to its customers, deposits with unique attributes, which allow customers to benefit from relatively high interest over the long term with optional liquidity during the deposit term. In 2024, the Bank continued diversifying its financing sources and reducing concentration risk.

Furthermore, exposure to derivatives is regularly managed, in line with the exposure to each counter-party, counter-party collateral is immediately increased or collateral is immediately demanded from the counter-party.
For more information about financing sources, see chapter "Developments in financing sources" above.
For more information about financing risk, see also the 2024 Risks Report available on the Bank website.

Liquidity coverage ratio

In conformity with Proper Conduct of Banking Business Directive 221 "Liquidity coverage ratio", the minimum regulatory requirement is 100%. This Directive stipulates minimum liquidity ratios for a one-month term (regulatory LCR), calculated based on uniform multipliers for the banking system, specified by the Bank of Israel based on Basel III directives. As part of its risks management policy, the Bank's Board of Directors specified that additional safety cushions are to be maintained, beyond the regulatory minimum ratio; so that the target liquidity coverage ratio for the Bank and the Group would by 5% higher than the minimum required. This ratio is managed and reported for all currencies in aggregate and for NIS separately, both at Bank level and on Group basis. The ratio for the Bank solo and the consolidated ratio are calculated daily and reported as the average of daily observations over 90 days prior to the report date. This regulation is in addition to liquidity risk management using internal models, as stipulated by Directive 342, as described above. The average liquidity coverage ratio for the fourth quarter of 2024 was 135%.

As of December 31, 2024, the Bank has a high-quality liquid assets balance (consolidated) of approx. NIS 90.2 billion, in addition to other liquid assets, which are not recognized for the purpose of calculating HQLA.

As of December 31, 2024, total pledged assets amount to approx. NIS 2.9 billion. These assets not recognized for the purpose of calculating HQLA.

Net stable funding ratio

Proper Conduct of Banking Business Directive 222 "Net stable funding ratio" stipulates a minimum net stable funding ratio of 100% ("Regulatory NSFR") of available stable funding and required stable funding. As part of its risks management policy, the Bank's Board of Directors specified that additional safety cushions are to be maintained, beyond the regulatory minimum ratio; so that the net stable financing ratio for the Group would be 5% higher than the minimum required. This ratio is managed and reported in total for all currencies, on a consolidated basis.

As of December 31, 2024, the ratio on a consolidated basis was 113%, compared to 114% at the end of 2023.
For more information about liquidity risk, see also the 2024 Risks Report available on the Bank website.
For more information about the Bank's cash flows by maturity, see Note 32 to the financial statements.
As of December 31, 2024, the balance of the three largest depositor groups at the Bank Group amounted to NIS 29.0 billion.
The Bank consistently acts, as part of its strategy on resource and use management, to raise long-term sources.
The Bank's NIS-denominated balance sheet sources for terms longer than 1 month, as percentage of total NIS-denominated sources as of December 31, 2024, was 52% (as of December 31, 2023: 58%), of which balance sheet sources for terms longer than 1 year – 15% (as of December 31, 2023: 25%).
Most of the Bank's balance sheet sources in foreign currency as of December 31, 2024 are for terms of up to 1 year, constituting 94% of total foreign currency-denominated sources (as of December 31, 2023: 95%), of which 38% are sources for terms longer than 3 months (as of December 31, 2023: 30%).
The NIS-denominated sources have longer terms than foreign currency-denominated sources, in line with the longer-term use of NIS-denominated funds, primarily for mortgages denominated in NIS.
The Bank also conducts a significant volume of futures transactions to divert excess liquidity between NIS and foreign currency and by conforming the terms, as part of dynamic management of sources and uses.

For more information about raising sources and development of the balance of deposits from the public, see chapter "Analysis of developments in assets, liabilities, equity and capital adequacy" below.

Operational Risk

Risk Description

Operational risk is defined as the risk of loss due to inappropriateness or failure of internal processes, people and systems or due to external events.

The Bank defined a framework for management of operational risks, which provides details regarding corporate governance and the roles and responsibilities of the various lines of defense and stipulates the importance of implementing an appropriate culture for management of operational risks at the Bank and Group.

The Bank actively handles operational risk in order to support operations of the business units, to improve major business processes associated with their operations and thus, to increase business value, rather than only reduce expected loss due to operational risk.

Operational risk includes information security and cyber risk, IT risk and legal risk.

Operational events are classified under seven risk categories, in conformity with Basel principles: Embezzlement (Bank defrauded by its employees), external fraud (Bank defrauded by customer), work practices and safety of the work environment (loss due to actions not in line with labor laws or agreements), practices regarding customers, products and business (failure to meet obligations to customer), damage to physical assets, performance, distribution and process management and business disruptions and system failures. The Bank manages and measures operational risk base on these categories as well.

Overview of operational risk and guidelines for management thereof

With the developments in global markets and the higher complexity of financial activity and supporting technological infrastructure, an understanding has emerged that Bank exposure to potential loss due to failures in regular operating activity may impact the business activity. Operating failure events which occurred at financial institutions have increased legislator awareness and financial institutions' awareness of materiality of operating failure events, to the large potential for damage which may be caused by such operational risk event and to their main attributes.

Operating risk is material as it occurs across all areas of activity and in all Bank units. Operating risk may potentially impact earnings, revenues, capital and reputation of the Bank and is correlated with other risks, such as: market risk, credit risk, liquidity risk, reputation risk and other risks. Operating events sometimes occur which are not under control of the Bank, and may develop as a result of external events, some of which are unforeseen, with chances of occurring which cannot be estimated in advance, such as: natural disaster (earthquake, flooding), pandemic or security event. Therefore, efficient risk management is crucial for the Bank's risk management processes.

Operational risk is inherent in all products, activities, processes and systems at the Bank. With the developments in global markets and the higher complexity of financial activity and supporting technological infrastructure, an understanding has emerged that Bank exposure to potential loss due to failures in regular operating activity may impact the business activity.

Bank management and the Board of Directors attach great importance to managing this risk, due to its materiality, as part of the Bank's overall framework for risks management and control. The Board of Directors and management have determined that management of operating risk requires creation of an appropriate culture within the organization, by means of training, dissemination of related content and application of high standards of internal control at all levels.

The Bank has a framework policy on operational risk management that specifies the principles whereby the Bank manages operational risk, risk materiality, how it is managed, measurement and monitoring processes and actions taken by the Bank to mitigate such risk. Policy principles were specified in line with Bank strategy with regulatory requirements (Proper Banking Conduct Directives of the Bank of Israel and relevant Basel Committee directives) and in line with globally accepted practice.

The policy elaborates the corporate governance and the roles and responsibilities of the various lines of defense and stipulates the importance of deploying an appropriate culture for management of operational risks at the Bank and Group. Risk management at the Bank is carried out in conformity with Bank of Israel directives: Directive 350 "Operational risks management" and Directive 310 "Risk management", which specify the overall risk management framework, and the Basel document "Principles for management of operational risk" (dated October 2014), which specify the rules for proper management of operational risk.

The Operational Risk Manager at the Bank is the Manager, Risks Management Division – who is also the Bank's CRO, responsible for proper implementation of the operational risk handling framework, acting through the Risks Management Division. The framework stipulated also includes the framework required for handling fraud and embezzlement risks, which are part of the operating risk categories according to Bank of Israel directives.

Bank policy determined the Bank's operational risk appetite in multiple qualitative and quantitative aspects, under normal business conditions and under stress scenarios. The risk appetite was specified with respect to actual losses and potential losses, at the overall portfolio level and by risk category.

The policy document was approved by Bank management and by the Board of Directors in 2024, as part of the approval process of all policy documents for risk management and control.

The Bank acts to dynamically measure and identify operational risk on two levels: Measuring loss and identifying risks based on failure events that actually materialized, and in reference to materialized and potential risks in the operational risk survey process and in the risks map. Operational surveys are conducted for all Bank operations, in conformity with a three-year plan. The Bank implements a three-year plan for conducting operational risks surveys for all Bank operations. This activity is an on-going process designed to generate a risk map, to increase the effectiveness of risk management and mitigation, while learning, re-assessing risk, including to due materialized events.

The Bank monitors and documents all operational failure events, including events for which a loss was incurred, as well as events with no loss or even events with a profit. Measurement of actual loss vs. the risk appetite in the normal course of business only includes loss events (without offset of profit events) and after accounting for any insurance coverage if actually realized.

The Bank conducts surveys to identify and map potential operational risks at various divisions, as a continuous process focused on mapping and assessment of material risks at each unit. The Bank has specified multiple key risk indicators (KRI) designed to identify potential risk prior to materialization. The survey results and action items (AI) are discussed, as part of self-assessment processes, by specific forums, attended by managers of the surveyed units and representatives from the Risks Management Division.

In addition to these surveys, the Bank also analyzes external events in Israel and overseas, which may provide information about potential circumstances and damage which may result in materialization of operating risk. Such analysis serves the Bank in implementation of appropriate steps for parallel processes within the Bank.

The Bank has a dedicated system for operational risks management (PSTL – Operational Risk Portal), used by the Bank to collect, monitor and analyze failure events, risk surveys and to generate a risk maps, linking any actual materialized events to the risk map, regular monitoring of recommendations for implementation arising from surveys, failure events, lessons learned and reports with regard to operational risk.

The Bank is acting to improve the effective handling of fraud and embezzlement risk. As part of this effort, the Bank is implementing a system using business laws to flag and identify unusual activity. Handling of fraud and embezzlement is in conformity with a specific operational risks management framework policy document and the policy document on management of embezzlement risk. The framework includes a combination of Bank entities: Internal Audit, Risks Management, information security and cyber, human resources, Security Unit and the Technology Division.

The Bank allocates capital with respect to operating risk using the standard approach. According to this approach, Bank revenues were categorized into eight lines of business, as stipulated by the Bank of Israel, with a standard risk weighting assigned to each line of business, reflecting its sensitivity to loss with respect to operational risk. This segmentation and addressing the required capital allocation are incorporated in a specific policies document which governs the aspects required for capital allocation using the standard approach and, in particular, specified the lines of business in Bank operations.

The Bank framework for handling operating risk is reviewed quarterly, as part of the Bank's Risks Document. The risk profile is presented in this context, i.e. the actual loss level, in view of the risk appetite, the operational risk map and the most material events which occurred during the quarter.

Operating risk mitigation

Due to the significance of operating risk, the Bank takes different steps to mitigate this risk. The most important step is to instill a corporate culture which promotes strong awareness of operating risk, and of deployment of risk-mitigating processes. The operational risk trustees, across the Bank, are the long arm of the Operational Risk Owner in this process. The Bank distributes relevant papers and holds dedicated training sessions for those trustees.

In addition, the Bank implements steps to increase awareness of the operational risk, mainly from a fraud perspective, including to customers.

Changes to existing business processes and/or new processes with potential for materialization of operational risk undergo a structured process of approval by business entities and by control entities, prior to launch, using a checklist – and are sent for approval by the Steering Committee. This mechanism is used to review all aspects of the change, ensuring a professional review of the root risk and how to mitigate it.

One of the tools used by the Bank for risk mitigation is debriefing and lesson learning flowing internal and/or external events. The conclusions formed in this process are incorporated into work processes, systems, training content and procedures.

The Bank has established policies and operating plans for case of emergency, for backup, recovery and business continuity in case of physical damage to Bank infrastructure. This plan, supported by emergency procedures and pre-appointed officers, is exercised annually and the conclusions from such exercises are incorporated into the action plan.

Mitigating operational risk through insurance – the Bank is insured under a banking insurance policy against damage which may be incurred in the course of normal operations, as a result of human error, fraud, embezzlement etc. The Bank acquires an officers' insurance policies, which applies to all officers at the Bank and at the different Bank Group companies, which provides insurance coverage for personal claims which may be filed against officers with respect to their actions in the course of their position with Group companies. Obtaining such an officer liability insurance policy is subject to approval by the General Meeting of Bank shareholders.

The Bank has obtained specific insurance policies for property damage and liability, which provide insurance coverage of Bank property and liability. The Bank also has insurance coverage under a custom cyber insurance policy, an additional layer over the banking insurance policy, which adds coverage related to computer-based crimes to the banking insurance policy. The Bank has a specific policies document which governs insurance aspects related to Bank operations.

Model risk

Model risk is included in the group of operational risks; it might arise from poor use of models due to an incorrect model and/or reliance on incorrect interpretation of the results of a model.

On August 21, 2024, the Supervisor of Banks issued a circular establishing Proper Conduct of Banking Business Directive 369 regarding model risk management. The directive describes the key aspects of effective management of model risks; it supersedes the letter issued by the Supervisor of Banks on the subject of October 17, 2010.

The directive will come into effect a year after its publication date, and it includes guidance as to the various stages of management of the Bank’s model risk: Model development, management, validation and monitoring. The Bank is preparing to implement the directive. Application of the directive is not expected to have any material impact on the Bank's financial statements.

Business continuity

The Bank applies Proper Conduct of Banking Business Directive 355 concerning "Management of business continuity" and in the fourth quarter completed the implementation of the 2024 work plan and exercise plan.

During the course of the year, the Bank continued to implement the business continuity plans derived from the war, and in view of the continuation of the Special Homefront Situation and the National State of Emergency, it maintained it “orange” alert level (concerns for damage to Bank’s sites and large-scale absence of employees, which might impair the Bank’s services). The Bank has put into action its emergency management and reporting framework, including frequent convening of an extended situations room and a financial exchange rate forum at times of emergency.

The Bank increased the preparedness of its emergency sites and continuously monitored their orderly functioning. The Bank maintains availability and continuity of essential services to customers in as much as possible, in conformity with restrictions, and acts to create appropriate alternatives for service provision, implementing highlights and relief in service provision as issued by the Supervisor of Banks. The Bank has extended work from home for essential employees, and has elaborated the relevant operating procedures and processes.

As to Group-level control, the Bank continued to maintain continuous contact with business continuity units of the Group and its overseas branches, and monitored the implementation of the guidance and the preparedness to the war with Group subsidiaries.

Information security and cyber defense

Information security risk is risk arising from faults in protection of the Bank's computer systems and information stored there. Cyber risk arises from an event including an attack on computer systems by or on behalf of internal or external adversaries of the Bank.

Directive 361 with regard to Cyber Defense Management provides guidelines for proper management of cyber risks, which require expansion and adjustment of the IT risks management framework with regard to the threat space concept and the required defensive capabilities. Accordingly, the Bank Board of Directors approved a comprehensive cyber defense strategy with reference to all required defensive components. The defense lines for its implementation were also set. The Bank's cyber security function is led by the Chief Information Security Officer, reporting directly to the head of the Risk Management Division; he is in charge, among other things, of setting policies on information security and cyber defense at the Bank, and development of a cyber defense work plan. There are also several management-level forums that conduct quarterly monitoring of risk management and mitigation, as well as control over appropriateness of resources allocated to this area, in conformity with the risk assessment and changes to the technology environment at the Bank.

E-banking processes at the Bank include implementation of information security processes in conformity with Proper Conduct of Banking Business Directive 367, including authentication mechanisms, transmission of information to customers and identification of exceptional transactions.

Supplier and outsourcing risk

The Bank works with a wide range of suppliers for various business needs. Using suppliers and outsourcing allows the Bank to achieve strategic targets, obtain expertise, expand the product range and improve service. Contracting with suppliers exposes the Bank to risks including the following: Operational risks, business continuity, information leakage, technology, compliance, legal, reputational and so forth. These risks are regularly managed through risk management processes, procurement processes (backed by supporting IT systems), business continuity and information and cyber security; the processes are carried out in accordance with a policy for management of suppliers and outsourcing risk, which was formulated and approved by the Bank and is validated every year, in accordance with Proper Conduct of Banking Business Directive 359A - Outsourcing.

IT risk

In recent years, the risks associated with IT management have increased, due to development and deployment of new technologies and evolution of new risk and threats. The IT management framework addresses existing technology risks in normal situations, along with risks that exist in system-wide failure situations, such as: system faults and other emergency situations. This is in order to ensure the business continuity of the Bank and its customers, thus mitigating reputation risks and business risks which could arise under such conditions.

The Technology Division Manager is responsible for management of IT assets and the management framework is specified in a special policies document, in line with principles specified in policy documents on risks management and control at the Bank. The IT asset management policy is in line with requirements of the Supervisor of Banks and, in particular, with the principles stipulated in Proper Conduct of Banking Business Directive 357 "IT management"; Proper Conduct of Banking Business Directive 350 "Operational risk management"; Proper Conduct of Banking Business

Directive 355 "Business continuity management" and Proper Conduct of Banking Business Directive 361 "Cyber security management".

Risk appetite is defined in quantitative and qualitative terms under normal and emergency scenarios, with the Bank's risk appetite for IT risk included under management of operational risk appetite. Risk appetite for technology aspects is defined by multiple benchmarks, including risk levels on the map of technology risk and specific risk appetite for diverse risk factors.

The Bank applies diverse measures to monitor and mitigate risks, including through methodological risk mapping, a set of Key Risk Indicators (KRI) and systems supporting risk monitoring and mitigation. Note that the SOC (Security Operation Center) operates 24/7 and is responsible for monitoring Bank infrastructure and systems, analyzing logs and identifying anomalies in real time, unusual behavior of users and systems in the network from information and cyber security aspects. The Bank also has a NOC (Network Operations Center), operating 24/7 as an operational unit for presenting the unified picture of enterprise infrastructure, capability for monitoring and forecasting faults, analyzing logs and identifying anomalies from technology risk aspects. In 2024, the Bank continued to bolster these capabilities.

On November 18, 2024, the Supervisor of Banks published Proper Conduct of Banking Business Directive 364 regarding management of IT, information security and cyber security risks. The Directive will come into effect in May 2026. The Directive changes the existing regulatory framework for management of technological risks to the ever-changing technological environment and threats and to the regulation generally accepted across the world. This Directive replaces the three previous directives: Proper Conduct of Banking Business Directive 357 - Information Technology Management, Proper Conduct of Banking Business Directive 361 - Cyber Defense Management, and Proper Conduct of Banking Business Directive 363 - Supply Chain Cyber Risk Management.

Legal risk

Legal risk is defined in Proper Conduct of Banking Business Directive 350 regarding "Operational risks" and includes absence of potential for legal enforcement of an agreement and includes, but is not limited to exposure to fines or penalties arising from supervisory action, as well as from individual arrangements. Legal risk also includes risks arising from legal exposure due to Bank conduct with its various stakeholders (such as: customers, suppliers and other third parties).

Legal risk includes risks arising from legislative and regulatory provisions, rulings by judiciary or quasi-judiciary authorities as well as legal risks arising from regular Bank operations. The Chief Legal Counsel for the Bank has been appointed Chief Legal Risks Manager. The Bank constantly strives to minimize as much as possible the legal risks associated with its current operations, and acts to disseminate a practical culture leading to identification and mitigation of legal risk in all its different aspects.

The Bank's Legal Division regularly analyzes the legal risk components, the risk boundaries (arising, for example, from the counter-party identity, from creation of collateral etc.) as well as specific risk attributes while reviewing its risk level and exposure with attention to the different lines of business at the Bank and provides current legal advice to the Bank and its various units and to provide group supervision over risk management at the Bank Group.

In 2024, there were no unusual events which may impact Bank exposure. Legal risk remained Low-Medium.

For more information about operational risk, see also the 2024 Risks Report available on the Bank website.

Other risks

Compliance and regulatory risk

Risk Description

Compliance risk is the risk of the imposition of sanctions, material financial loss or damage to reputation, which the Bank may incur due to its failure to comply with various compliance provisions.

Compliance risk includes conduct risk, cross-border risk and AML and terror financing risk, presented separately below.

Overview of compliance and regulatory risk and guidelines for management thereof

The compliance and regulatory Risk Manager for the Bank is the Manager, Risks Management Division (CRO). The Compliance Officer is responsible for continuous management of this risk.
The Bank has specified a multi-annual work plan for the Compliance Function, which includes qualitative targets for managing and reducing compliance risk across the Bank.
The Bank operates in conformity with policies on compliance and regulation risk management, approved by the Bank's Board of Directors. The Compliance Officer acts to deploy a compliance culture at the Bank, at subsidiaries including Bank Yahav and Bank affiliates overseas, by implementing a Group policy and supervising the implementation of appropriate compliance processes at subsidiaries and affiliates. Compliance risk is managed by identification, documentation and assessment of compliance risk associated with business operations of the Bank, including developments related to new products, business conduct, lines of business or new customers, or to material changes to any of the above. The Bank conducts compliance surveys in various compliance areas, so as to ensure the effectiveness of compliance risk management activities. The value of fairness is enterprise-wide and is based on application of basic values: integrity, fairness and transparency. The Bank strives to maintain a fair relationship with its customers and with other stake holders, places the customer at the center of its business operations and strictly adheres to business fairness in all its operations. Fairness is a basic value in the Bank's Code of Ethics and the Bank takes action to deploy and implement the value of Fairness among employees.
The Bank has internal enforcement programs for securities and for anti-trust law.
The Bank has minimal risk appetite for compliance and regulatory risk, with regard to compliance with statutory provisions applicable to the Bank. Therefore, the Bank has determined that any deficiencies found in compliance with statutory provisions should be addressed by Bank units as a top priority. The Bank has specified a multi-annual work plan, which includes required action for reducing compliance risk.
In view of the effects of the war, emphasis is placed on implementation of fair work processes with customers, with due consideration of the complexity and required sensitivity during this period. The Bank continues to acts to provide a response so as to enable service provision to all members of the public, in conformity with Proper Conduct of Banking Business Interim Directive 251 with regard to adjustment of Bank of Israel directives during war time, letters from the Supervisor of Banks and the AML Authority.
The Bank continues the implementation of risk management steps, enhancement of controls, training delivery, addressing findings of surveys and audit reports and improvement in efficiency of work processes in this field, while incorporating technologic improvements. In 2024 the Bank took action to implement the applicable directives by the various regulators. The Bank also applied regular controls, in order to monitor compliance risk that may materialize during this period.
For more information about compliance and regulation risk, see also the 2024 Risks Report available on the Bank website.

Cross-border risk

Risk Description

Cross-border risk is the risk of financial loss (including due to legal proceedings, fines or sanctions imposed by statutory authorities or others in Israel and in other countries) and of impact to reputation, arising from the Bank's failure to comply with statutory provisions originating in other countries – whether provisions binding on the Bank or provisions which are not binding, but failure to comply with them may cause the Bank to incur damage, or from overseas activities of Bank customers in contravention of any statutory provisions.

Cross-border risk includes, *inter alia*, risk of damage, including impact to reputation, due to lawsuits or other enforcement proceedings brought by authorities in other countries, with regard to foreign tax laws applicable to certain Bank customers, AML and terror financing laws, sanctions imposed by international bodies and foreign authorities or other laws. Cross-border risk also applies to the Bank's overseas affiliates, in activity with foreign-resident customers.

Cross-border risk includes the risk arising from obligations arising from US tax laws applicable to Bank Group operations outside of the USA (the Foreign Account Tax Compliance Law – "FATCA" and Qualified Intermediary – "QI"). This risk is also due to obligations stipulated by the Common Reporting Standard (CRS) issued by the OECD.

Overview of cross-border risk and guidelines for management thereof

The Bank has near-zero appetite for cross-border risk. Therefore, the Bank has specified that any faults discovered with regard to cross-border risk would be addressed by Bank units as a top priority.

The Bank conducts processes designed to improve the quality of risk management, including by revising procedures, automating work processes, specifying cross-border risk level for account, applying second line of defense controls, improving professional knowledge, including by delivering training, concentrating activity of foreign residents in specialized branches and specification of work routines in processes required for reporting under both FATCA and CRS.

The Bank also monitors regulatory updates from relevant countries for the Bank and its affiliates, and implements them if applicable.

The Bank applies the statutory provisions for implementation of FATCA and CRS, and provides timely reports to the Israeli Tax Authority. The Bank complies with the terms and conditions of the QI agreement with the IRS and reported to the IRS in 2024.

For more information about cross-border risk, see also the 2024 Risks Report available on the Bank website.

AML risk

Risk Description

AML risk is the risk of financial loss (including due to legal proceedings, penalties or sanctions imposed by authorities in Israel and in other countries) and impact to reputation, which the Bank may incur due to breach of various statutory provisions regarding the Bank's obligations with regard to AML.

Overview of AML risk and guidelines for management thereof

The Bank regards itself as a partner in the international AML effort and takes part in the international effort against bribery and corruption, acting to identify, monitor and follow up on activities and customers that may be exposed to bribery and corruption. The Bank also avoids any activities opposed to the international sanctions regime of OFAC (of the US Department of Treasury) and of the European Union.

The Bank has zero risk appetite with regard to AML risk. Therefore, the Bank has specified that any faults discovered with regard to AML risk would be addressed by Bank units as a top priority.

The Bank applies on a Group basis, with required changes, its policies in this area as well as statutory provisions, at its subsidiaries and branches in Israel and overseas.

The Bank applies a risk-based approach to account opening and management, allocating resources in conformity with the risk level of the account and activity, reflected *inter alia* by enhanced controls and appropriate custom training.

The Bank continues to conduct intensive training and implementation activities, alongside risk-focused controls, improvement of documents and classifications, and taking effective action to prevent recurrence of unusual events and compliance failures, in view of the increase in business activity and further increased regulatory activity reflected, among other things, in frequent publication of new directives, for which the Bank is preparing accordingly.

During 2024 and against the backdrop of the war, the Compliance Department took action, including issuing updates to business units about the need for caution in these days, bolstering controls over transactions and customers at risk and delivery of custom training.

For more information about AML, see also the 2024 Risks Report available on the Bank website.

Terror financing risk

Risk Description

Terror financing risk is the risk of financial loss (including due to legal proceedings, penalties or sanctions imposed by authorities in Israel and in other countries) and impact to reputation, which the Bank may incur due to breach of various statutory provisions regarding the Bank's obligations with regard to terror financing.

Overview of AML risk and guidelines for management thereof

The Bank regards itself as a partner in the international anti-terror financing, acting to monitor and follow up on customer activities. The Bank also avoids any activities opposed to the international sanctions regime of OFAC (of the US Department of Treasury) and of the European Union.

International entities, including OFAC (of the US Department of Treasury) and the European Union have imposed international sanctions on countries, organizations and individuals. As part of management of its international financial operations and maintaining proper business relations with correspondent banks, the Bank is compliant with these sanctions. As part of management of the risk, the Bank monitors and applies special reviews to any monetary transactions where any party to such transaction is a state, body or entity subject to international sanctions.

The Bank has zero risk appetite with regard to terror financing risk. Therefore, the Bank has specified that any faults discovered with regard to terror financing risk would be addressed by Bank units as a top priority.

The Bank continues to implement risk-focused management, as reflected by revision of operating procedures and processes, including IT support and process streamlining, training and deployment activities along with risk-focused controls in the first and second lines of defense, and taking effective action to prevent recurrence of unusual events and compliance failures and strict control over banking activity.

Against the backdrop of the Iron Swords War, the Bank increased monitoring and handling of this matter, while bolstering controls over transactions and customers at risk.

For more information about terror financing risk, see also the 2024 Risks Report available on the Bank website.

Reputational risk

Risk Description

The Bank has mapped reputation risk as a material risk, because past events indicate that impact to the reputation of a financial institution may result in significant loss of value. Reputation risk is a stand-alone risk, but may also arise from materialization of other risks at the Bank, such as materialization of an operational risk event. Furthermore, impact to Bank reputation may bring about the materialization of other risks, in particular liquidity risk – with growing demand by customers to withdraw deposits.

Overview of reputational risk and guidelines for management thereof

The Bank has defined its risk appetite for reputation risk as minimal. In recent years, the Bank took action to put in place a framework for handling reputation risk. The Bank considers that this risk should be addressed based on similar principles to those used to address other risks, such as credit risk or market risk – even though this risk is considered harder to quantify.

The Reputation Risk Manager is the Manager, Marketing, Promotion and Business Development Division at the Bank.

Reputation risk is managed in conformity with the policy on three levels: In advance (under normal conditions), in real time (alert condition) and in retrospect.

The ongoing monitoring of various benchmarks and indicators indicates that the Bank's image is stable. Customers' satisfaction with the actual service experience remains high as does customers' perception of the Bank's reputation and service.

Strategic business risk

Risk Description

Strategic business risk – is the risk, in real time or in future, to Bank profits, capital, reputation or status, which may arise from erroneous business decisions, improper deployment of decisions or inappropriate alignment of the Bank to changes in the business environment in which it operates. The Bank is preparing for these changes by, inter alia, adapting the banking production functions through, inter alia, increased investment in technology, so as to maintain the Bank's position as an advanced, human bank. This is material risk requiring risk management measures to be applied, assessment and early identification of events which may preclude implementation of the strategy.

Review of strategic business risk and principles for management thereof

The Bank operates in conformity with a five-year strategic plan, approved by the Bank's Board of Directors in April 2021, whose principles have been made public. The strategic plan was reviewed and challenged by Risks Management in aspects of business focus, risk profile and feasibility. Material deviation from Bank strategy is subject to approval by the Bank's Board of Directors. Risk is regularly monitored by the Financial Information and Reporting Division, and is challenged by the Risks Management Division. For more information about the strategic plan, see chapter "Business goals and strategy" above.

The Strategic Business Risk Owner is the President & CEO; based on his guidance, management periodically reviews the implementation of the strategy: Monitoring of developments of exogenous factors which may affect the Bank's strategic risk, including regulatory, economic or technology developments which affect the strategy and initiating annual work plans derived from and in conformity with the strategic plan. In addition, the Financial Information and Reporting Division and the Risks Management Division regularly and independently monitor strategic business risk from different control aspects, primarily the following: achievement of targets, risk mapping and identification, stress testing, threat tests and continuous monitoring of the risk profile in view of the Bank's risk appetite. In addition to continuous monitoring of the implementation of work plans and aligning them with the strategic outline, the Bank also monitors developments of external factors which may impact the Bank's strategic business risk. The work plans of Bank divisions are adapted, when needed, to the changing business environment in order to achieve business targets and the strategic outline. The Bank is prepared for emergencies so as to reduce the impact to the Bank's business and strategic plan, should extreme economic or geo-political conditions evolve.

For more information about strategic-business risk, see also the 2024 Risks Report available on the Bank website.

Regulatory business risk

Risk description and development thereof

Regulatory business risk, as from the second quarter of 2023, is presented separately from strategic business risk.
This risk, currently assessed to be Medium-High, refers to legislation, including legislation in process, in core banking areas, as well as new regulation and regulatory expectations of regulatory entities, whether in process or completed, which may potentially impact core banking operations. Regulatory business risk level remained at its previous level (having increased in 2023), such that it also reflects potential business implications for banking operations due to the war.

Environmental risk and climate risk

Environmental risk – This is risk due to potential impact of environmental changes on financial institutions. The Bank is exposed to potential loss due to deterioration in the borrower's financial position due to high costs incurred as a result of environmental hazard and regulation concerning environmental protection, or due to impairment of collateral exposed to environmental risk or to the Bank being indirectly liable for an environmental hazard caused by a project funded by the Bank. Environmental risk also includes other, derived risks: reputation risk, third-party liability risk and so forth.
Climate risk is risk due to increased frequency and intensity of weather events due to global warming. The Bank faces risk of financial loss or impact to its reputation, due to materialization of physical events or processes or adjustment to transition risk due to climate change.

Climate risk includes transition risk, regarded as long-term risk. Such risk is due to the accommodation process to a low-carbon economy (such as transition to renewable energy sources, carbon taxation, improved energy efficiency and so forth), as well as physical risk that may materialize due to direct impact of extreme events, such as fire, flooding and so forth, and due to prolonged, chronic change that may result from higher sea levels and higher temperatures that may affect the ecological system, desertification processes and so forth.

The Group incorporates ESG aspects in its business strategy, maintains regular communication with all stake holders and manages diverse risks arising from its operations from environments, social and corporate governance aspects. In 2022, the Group formulated policy on identification, management and control of ESG risk at the Bank.

The Board of Directors supervises ESG issues through Board committees or by the Board of Directors Planum, including: Climate change, environmental and social risks in lending and investments, handling customer complaints, financial inclusion and so forth. The Board of Directors and the Risks Management Committee discuss the Bank's ESG risks as part of the quarterly Risks Document. Moreover, the Risks Management Committee and the Board of Directors receive the environmental risks and climate risks report and discuss ESG risks.

The Bank has a steering committee, headed by the Manager, Human Capital and Resources Division and composed of different division managers, designed to lead policy, activity, control and reporting as part of promoting ESG across all Bank operations, for optimal management of identified ESG risks.

In recent years, global awareness of the potential impact of climate change for ecological systems, for society and for the global financial system has been growing. These effects are expected to continue in the coming years, to increase and to pose a key challenge to countries around the world. Bank Mizrahi Tefahot, being a leader in the Israeli banking system, is preparing for climate change and the resulting implications thereof. The Bank operates in conformity with Bank of Israel requirements and based on generally accepted global practices, in order to make the required adjustments to its operations in a professional, responsible manner – so as to benefit, *inter alia*, its stake holders and to ensure stability of the Bank and of the Israeli economy. The Bank acts to expand preparations for risks that may arise from climate change, in conformity with revised requirements and with evolving maturity level of global practices and of the Israeli economy. This is done while discharging its responsibility to provide optimal service to Bank customers.

In the past year, the Bank has published its TCFD report (Task Force on Climate-Related Financial Disclosures), presenting Bank assessments of effective management of climate risk. This report was created in conformity with the generally accepted global standard for such reporting. The report provides an extensive overview of all processes undertaken at the Bank over the past two years, so as to prepare for climate-related aspects, in conformity with regulatory requirements in Israel. These processes include, inter alia, creation of designated forums for managing this area, development of mechanisms for classification and assessment of climate risks, development of mechanisms for risk identification, management measurement and mitigation, as well as development of custom products to harness business opportunities arising from climate change and preparation there for.

As from the 2020 financial statements, the Bank has been including environmental risk, and in particular climate risk, in the list of emerging risks. At this stage it is too early to assess the potential long-term impact of climate change on the Bank.

In 2025, the Bank intends to further develop its capabilities with regard to ESG risks and in particular climate risks, with due notice to developments in global and local banking regulation and developments in the economic and environmental arena in Israel and elsewhere.

On June 17, 2024, the Bank Supervisor published an update to Proper Bank Management Directive 345 concerning guidelines for the effective management of climate-related financial risks. In accordance with the circular, it was decided to defer the start date of the directive. The directive will come into effect starting June 12, 2026 (in lieu of the original date, June 12, 2025).

This information constitutes forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank's Board of Directors. These assumptions may not materialize due to factors which are not solely controlled by the Bank.

For more information about Bank activity, see the ESG Report on the Bank website:
www.mizrahi-tefahot.co.il >> about the bank >> investor relations

Policies and critical accounting estimates

The Bank's Financial Statements have been prepared in accordance with the directives and guidelines of the Supervisor of Banks. These directives largely adopt the accounting rules accepted at banks in the United States (US GAAP). The significant accounting policies are detailed in Note 1 to the financial statements.

The application of generally accepted accounting principles by management at the time that the financial statements are prepared occasionally involves various assumptions, assessments and estimates that affect the amounts and business results reported in the financial statements. Some of the assumptions, assessments and estimates are critical to the financial position or the results of operations reflected in the Group's financial statements, because of the materiality of the matter, complexity of calculations or the extent of the probability that matters shrouded in uncertainty will be realized.

The following were used in assumptions, assessments and estimates:

Provision for credit losses

As from January 1, 2022, the Bank applies generally acceptable accounting practices by US banks with regard to measurement of credit losses from financial instruments, as set forth in topic 326 of the codification (ASC 326) "Financial instruments – credit losses".

As part of the application of this standard, the Bank has put in place procedures for classification of credit and for measurement of provision for credit losses, in order to maintain an appropriate provision to cover expected credit losses with regard to the Bank's loan portfolio. Further, the Bank has put in place procedures to be followed for an appropriate provision to cover expected credit losses with regard to bonds held to maturity and the portfolio of bonds available for sale and certain off-balance sheet credit exposures.

The estimated provision for expected credit losses is calculated over the contractual term of the financial asset, taking into account estimated early repayment.

In developing the estimated expected credit losses, the Bank accounted for the effects of past events, current terms and conditions and reasonable forecasts which can be founded about collectability of the financial assets.

In general, calculation of the provision for expected credit losses is estimated on group basis when assets have similar risk attributes. These attributes include the following: (1) Credit score or rating, either internal or external; (2) risk rating or risk classification; (3) type of financial asset; (4) type of collateral; (5) size; (6) borrower's operating sector.

For each group of financial assets with similar risk attributes, the Bank calculates the provision for expected credit losses using one of the methods for measurement of such provision as allowed by the standard, which the Bank expects should result in the best estimate of provisions for credit losses.

In order to estimate expected credit losses over the contractual terms of the assets, the Bank relies on historical information, reviewing the need to adjust such historical information to reflect the extent to which current conditions and reasonable forecasts which can be founded differ from those in the period when the historical information was assessed.

When the reasonable period that may be founded, as determined by the Bank, is shorter than the duration of the financial asset, the Bank resumes use of historical information not adjusted for current economic conditions nor for expectations of future economic conditions, such as: change in unemployment rate, asset values, commodity values, arrears and so forth. The return to information about historical losses may be in one of the following methods: (1) Immediate return; (2) return on straight line basis; (3) use of another logical and methodical basis.

Sensitivity of provisions for credit losses to changes in economic conditions is due to a significant number of connections and mutual effects: Effect on certain customers who cannot meet their obligations, and consequently subject to a specific provision; effect on certain customers who are facing difficulties that require classification as

inferior or under special supervision, and consequently the group-based provision with respect thereto has increased; effect on the additional qualitative component of the group-based provision, through parameters of growth and unemployment that are part of the model; additional effect on the additional qualitative component, through other parameters affected by unemployment and growth, such as the number of Watchlists and average rating of customers and other effects not included in the models, if any, based on exercise of discretion.
Expenses with respect to credit losses in 2024 amounted to NIS 519 million, compared to NIS 1,463 million in 2023. The decrease in provisions in 2024 is mostly due to adjustments made by the Bank in 2023 to components of group-based provision for credit losses calculated on qualitative basis, recognized so as to reflect the increase in credit risk in the market due to the war as from October 7, 2023 with respect to customers who are residents of the conflict regions which may face difficulties, and to macroeconomic and other developments which may affect the Israeli public as a whole. This also reflects the risk potential due to customers who were granted deferment of their loan payments for a specified period, even though when the adjustments were made no material indicators of increase in this risk have been identified. Upon conclusion of the war, these components of the group-based provision are expected to decrease, other than the recognized amounts, as required, with respect to specific customers who faced difficulties due to the war.
The risk assessment for debts with deferred payments takes into account the customer's history at the Bank, including failures to pay and arrears in the past, as expressed in the risk rating given prior to the deferral. As a rule, deferral of payments is not granted customers in arrears of over 180 days, or to a customer who upon the deferral date has indications of difficulties in long-term repayment capabilities. In cases featuring indications of an ongoing difficulty in a customer’s repayment ability, which is not a temporary difficulty that is expected to end with the end of the war, or in cases in which the customer needs a redemption arrangement that includes a waiver on the move to deferring payments, the Bank’s policy is to classify the customer during the deferral period. This, while taking into account the support the customer receives within the framework of various state programs. Note that the risk potential attributed to the loans population in deferring the payments, including regarding uncertainty regarding the customer's current repayment ability, is expressed both in the customer's internal rating, and in the qualitative component of the collective provision to credit losses.

In order to establish the provision with respect to impact of the war and other effects, the Bank conducted independent sensitivity analysis of potential effects of deterioration in macro-economic parameters on default rates. The group-based provision recognized by the Bank with respect to uncertainty is similar to total loss under the stress scenario of short-term decline by 6% in the GDP, a further 0.75% increase in Bank of Israel interest rate, a 0.65% increase and in mortgage interest, and a rise in unemployment to 6.25%.

This information constitutes forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank’s Board of Directors. These assumptions may not materialize due to factors which are not solely controlled by the Bank.
For more information see Note 1.F.7 to the financial statements.
As detailed in Note 1.e.1 to the financial statements, following the adoption of updates to generally accepted accounting rules at U.S. banks in the matter of the re-structuring of problematic debts and disclosure requirements by year when credit was extended, the measurement method of the provision to credit losses was updated, among other things. This is in light of the cancellation of the requirement to calculate the provision for the a debt being restructured for a problematic debt, in the cash flow working capital method.

See Notes 13 and 30 to the financial statements for further information.

Derivative instruments

Instruments measured at fair value are divided into 3 levels:

Level 1 – fair value measured using prices quoted for identical instruments on an active market accessible by the Bank upon the measurement date.

Level 2 – fair value measured using observed data, either direct or indirect, which are not quoted prices as stipulated under Level 1. Level 2 data include quoted market data on active markets, or on non-active markets, if they exist, or data derived from or based upon such observed market data.

Level 3 – fair value measured by using non-observed data.

The Bank estimates credit risk for derivative instruments using a model based on indications of credit quality of the counter-party, derived from prices of debt instruments of the counter-party traded on an active market, and from prices of credit derivative instruments based on the counter-party's credit quality. In the absence of such indications, the Bank calculates the adjustments based on internal ratings. The Bank reviews the materiality of the credit risk component compared to fair value as a whole, in conjunction with review of instrument classification under fair value ranking levels.

Fair value measurement of a derivative instrument, when no quoted prices, liquid collateral or offset agreements exist which adequately secure the derivative's credit quality, and when no market information exists as to the credit quality of the counter-party (such as CDS or trading bonds of the counter-party) – shall be classified as a Level 3 fair value measurement.

See Notes 1.f.16 to the financial statements for further information. For details of derivatives measured at fair value by different fair value levels – see Note 33 to the financial statements.

Liabilities with respect to employees' rights

Are calculated using actuarial models, based on a discount rate determined based on the yield of Government bonds in Israel plus the average yield spread for corporate bonds rated AA (international rating scale) or higher upon the report date. For practical reasons, the spread would be determined by the difference between yields to maturity, by term to maturity, for corporate bonds rated AA or higher in the USA – and yields to maturity, for the same term to maturity, for US government bonds, all as of the report date. The actuarial models include assumptions related to the mortality tables, disability rates, departure rates and wage hike rates. A change in any of the parameters could lead to a change in the amount of the Bank's liabilities for employees' rights.

Group liabilities for employees' rights calculated based on an actuarial model amount to NIS 1,954 million (including provision for employees' retirement at beneficial terms).

The following is a sensitivity analysis of total provision for employees' rights to changes in key assumptions used as basis for the actuarial estimate, as of the transition date (NIS in millions):

	1% increase in discount rate	1% change in annual payroll increase		1% change in departure rate before retirement age	
		Increase	Decrease	Increase	Decrease
Severance pay provision	(131)	98	(82)	229	(186)
Budgetary pension	(10)	-	-	-	-
Other	(70)	1	(1)	(18)	10

See Notes 1.f.13 to the financial statements for further information.

Provisions with respect to contingent liabilities and lawsuits

The financial statements include appropriate provisions to cover possible damages, where, in the estimation of the Bank's management, based on the opinion of its legal counsel, a provision is required.

In accordance with the guidelines of the Supervisor of Banks, claims have been classified according to the range of probability of realization of the risk exposure, as follows:

1) Probable risk: there is a probability of more than 70% of a loss from the claim. For claims whose probability of realization has been classified as Probable, an appropriate provision was made in the financial statements.
2) Reasonably Possible risk: there is a probability of between 20% and 70% that a loss will be sustained from the claim. For claims whose probability of realization has been classified as Reasonably Possible, an appropriate provision is made in specific instances on the financial statements, at the discretion of Bank management and based on the opinion of legal counsel.
3) Remote risk: there is a probability of less than 20% of a loss from the claim. For claims whose probability of realization has been classified as Remote, no provision was made in the financial statements.

Note 26C provides disclosure of material claims (whose amount, excluding interest and expenses, is over 1% of equity attributable to equity holders of the Bank).

Likewise, disclosure is given to motions for recognition as class actions, when the amount claimed in them is material, when, in the estimation of the Bank's management, based on the opinion of its legal counsel, it is not possible, on the date of preparing these financial statements, to estimate their possible outcome, and therefore, no provision was recorded for them.

In accordance with the directives of the Supervisor of Banks, the Bank is permitted to determine for class actions that it is not possible to estimate the prospects for realization of the exposure to risk in the four financial statements published since the claim was filed, or in case of delay of proceedings by decision of the Court. Beyond this, only in rare cases is the Bank permitted to determine that the prospects for realizing the exposure cannot be determined.

Note that the provision for legal claims and contingent liabilities depends on multiple factors and involves a high degree of uncertainty. New information to be received by the Bank in future with regard to existing exposures as of the approval date of the financial statements may materially impact the exposure amount or the provision required with respect to such exposure.

Controls and Procedures

In accordance with the Public Reporting Directives of the Supervisor of Banks, based on requirements stipulated in Sections 302 and 404 of the American Sarbanes Oxley Law, the Bank President & CEO and the Chief Accountant of the Bank have each separately signed a Certification attached to the financial statements on "Disclosure Controls and Procedures (hereinafter: "Disclosure Certification").

The Disclosure Certification relates to the controls and procedures that were designed to assure that the information that the Bank requires for disclosure in accordance with the Public Reporting Regulations of the Supervisor of Banks, is accumulated, processed and sent to the Bank's Executive Management in a manner that enables decisions to be reached at an appropriate time, with respect to disclosure requirements. The certification also refers to setting of internal controls over financial reporting intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks.

Controls and procedures with regard to disclosure

At the end of the period covered by this Report, the Bank's management, together with the Bank President & CEO and the Chief Accountant of the Bank, evaluated the effectiveness of the Bank's disclosure controls and procedures. Based on this evaluation, the Bank President & CEO and Chief Accountant of the Bank concluded that at the end of this period, the disclosure controls and procedures are effective for recording, processing, summarizing and reporting the information that the Bank is required to disclose in the annual report, in accordance with the Public Reporting Directives of the Supervisor of Banks, on the date stipulated in these Directives.

Developments in internal control

In the quarter ended December 31, 2024, there was no change to internal control over financial reporting at the Bank, which materially affected, or which may be reasonably expected to affect internal control over financial reporting at the Bank.

In conformity with the Supervisor of Banks' directives regarding adoptions of Section 404 of the Sarbanes-Oxley Law, this report includes certification with respect to responsibility of the Board of Directors and management for setting and maintaining appropriate internal control over financial reporting and assessment by management of the effectiveness of internal control over financial reporting as of the date of the financial statements. Concurrently, the opinion of the Bank's Independent Auditor is also included, with regard to appropriateness of internal control over financial reporting at the Bank in conformity with relevant standards of the Public Company Accounting Oversight Board (PCAOB).

Avraham Zeldman	**Moshe Lari**
Chairman of the Board of Directors	President & CEO

Approval date:
Ramat Gan February 26, 2025

Certification

I, MOSHE LARI, certify that:

1. I have reviewed the annual report of Bank Mizrahi Tefahot Ltd. (hereinafter: “the Bank”) for 2024 (hereinafter: “the Report”).
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact nor omit to state any material fact necessary so that the statements included therein, in light of the circumstances under which such statements were made, would not be misleading with respect to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included in the Report fairly present, in all material respects, the financial condition, results of operations, and changes in shareholders’ equity and cash flows of the Bank as of the dates and for the periods presented in this Report.
4. I and others at the Bank who provide this certification, are responsible for determining and maintaining controls and procedures with regard to disclosure[(1)] and to the Bank's internal controls over financial reporting[(1)] as well as:
   - A. We have determined such controls and procedures, or caused these controls and procedures to be determined under our supervision, for the purpose of ensuring that material information relating to the Bank, including its subsidiaries, is made known to us by others in the Bank and in those entities, particularly during the period in which the Report is being prepared;
   - B. We have set such internal controls over financial reporting, or had it set under our supervision, intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks;
   - C. We have evaluated the effectiveness of the Bank’s disclosure controls and procedures and have presented in this report our conclusions about the effectiveness of the disclosure controls and procedures in this Report, as of the end of the period covered by this Report based on our evaluation; and
   - D. We have disclosed in this Report any change in the Bank’s internal controls over financial reporting that occurred during the fourth quarter, that has materially affected, or is reasonably likely to materially affect, the Bank’s internal controls over financial reporting; and
5. I and others in the Bank who are declaring this certification, have disclosed, based on our most recent evaluation of the internal controls over financial reporting, to the Bank’s independent auditors, the Board of Directors and the Audit Committee of the Board of Directors of the Bank:
   - A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting which are reasonably likely to impair the Bank’s ability to record, process, summarize and report financial information; and
   - B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank’s internal controls over financial reporting.

The aforesaid does not derogate from my responsibility or the responsibility of any other person according to the law.

Lari Moshe

Moshe Lari

President & CEO

Ramat Gan, February 26, 2025

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(1) As defined in Public Reporting Directives with regard to "Report of the Board of Directors and Management".

Certification by the Chief Accountant – Disclosure and internal controls

As of December 31, 2024

Certification

I, MENAHEM AVIV, certify that:

1. I have reviewed the annual report of Bank Mizrahi Tefahot Ltd. (hereinafter: "the Bank") for 2024 (hereinafter: "the Report").
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact nor omit to state any material fact necessary so that the statements included therein, in light of the circumstances under which such statements were made, would not be misleading with respect to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included in the Report fairly present, in all material respects, the financial condition, results of operations, and changes in shareholders' equity and cash flows of the Bank as of and for the periods presented in this Report.
4. I and others at the Bank who provide this certification, are responsible for determining and maintaining controls and procedures with regard to disclosure(1) and to the Bank's internal controls over financial reporting(1) as well as:

   A. We have determined such controls and procedures, or caused these controls and procedures to be determined under our supervision, for the purpose of ensuring that material information relating to the Bank, including its subsidiaries, is made known to us by others in the Bank and in those entities, particularly during the period in which the Report is being prepared;

   b. We have set such internal controls over financial reporting, or had it set under our supervision, intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks;

   C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and have presented in this report our conclusions about the effectiveness of the disclosure controls and procedures in this Report, as of the end of the period covered by this Report based on our evaluation; and

   D. We have disclosed in this Report any change in the Bank's internal controls over financial reporting that occurred during the fourth quarter, that has materially affected, or is reasonably likely to materially affect, the Bank's internal controls over financial reporting; and

5. I and others in the Bank who are declaring this certification, have disclosed, based on our most recent evaluation of the internal controls over financial reporting, to the Bank's independent auditors, the Board of Directors and the Audit Committee of the Board of Directors of the Bank:

   A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting which are reasonably likely to impair the Bank's ability to record, process, summarize and report financial information; and

   B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal controls over financial reporting.

The aforesaid does not derogate from my responsibility or the responsibility of any other person according to the law.

Menahem Aviv
Vice-President
Chief Accountant

Ramat Gan, February 26, 2025

(1) As defined in Public Reporting Directives with regard to "Report of the Board of Directors and Management".

Report of the Board of Directors and Management as to Internal Controls over Financial Reporting

The Board of Directors and Management of Mizrahi Tefahot Bank Ltd. (hereinafter: "the Bank") are responsible for establishing and maintaining proper internal controls over financial reporting (as defined in Public Reporting Directives with regard to "Report of the Board of Directors and Management"). The Bank's internal controls system has been designed to provide the Bank's Board of Directors and management a reasonable degree of certainty as to proper preparation and presentation of financial statements published in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks. Regardless of the quality of the design thereof, all internal controls systems have inherent limitations. Therefore, even should it be determined that these systems are effective, they may only provide a reasonable degree of certainty with regard to preparation and presentation of financial statements.

The management, under supervision of the Board of Directors, maintains a comprehensive system of controls intended to ensure that transactions are executed in line with management authorization, that assets are protected, and that accounting records are reliable. Furthermore, management under supervision of the Board of Directors, takes steps to ensure that information and communication channels are effective and monitor execution, including execution of internal control procedures.

The Bank's management, under supervision of the Board of Directors, has evaluated the effectiveness of the Bank's internal controls system over financial reporting as of December 31, 2024 based on criteria stipulated in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the aforementioned evaluation, management assumes that as of December 31, 2024, the Bank's internal controls over financial reporting are effective.

The effectiveness of the Bank's internal controls over financial reporting as of December 31, 2024 was audited by the Bank's independent auditors, Brightman Almagor Zohar & Co., as noted in their report on page 109, which includes their unqualified opinion as to the effectiveness of the Bank's internal controls over financial reporting as of December 31, 2024.

Avraham Zeldman	Moshe Lari	Menahem Aviv
Chairman of the Board of Directors	President & CEO	Vice-President Chief Accountant

Ramat Gan, February 26, 2025

Deloitte.

Independent Auditors' Report to Shareholders of Bank Mizrahi-Tefahot Limited Pursuant to Public Reporting Directives of the Supervisor of Banks Concerning Internal Controls over financial Reporting

We have audited the internal controls over financial reporting at Bank Mizrahi Tefahot Ltd. and subsidiaries (hereinafter jointly: "the Bank") as of December 31, 2024, based on criteria stipulated by the integrated framework for internal controls published by the Committee of Sponsoring Organizations of the Treadway Commission (hereinafter: "COSO"). The Bank's Board of Directors and management are responsible for maintaining effective internal controls over financial reporting, and for evaluating the effectiveness of said internal controls over financial reporting which is included in the attached enclosed report of the Board of Directors and management with regard to internal controls over financial reporting. We are responsible for our opinion on the Bank's internal controls over financial reporting, based on our audit.

We have not audited the effectiveness of internal controls over financial reporting at subsidiaries whose assets and net interest revenue before expenses with respect to credit losses, included in consolidation, account for 3.95% and 5.27%, respectively of the referring amounts on the consolidated financial statements as of December 31, 2024 and for the year then ended. The effectiveness of internal controls over financial reporting at these companies was audited by other independent auditors whose reports have been provided to us and our opinion, in as much as it refers to effectiveness of internal controls over financial reporting at these companies, Is based on the reports of these other independent auditors.

We have conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (PCAOB) in the USA with regard to audit of internal controls over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel. In accordance with these standards, we are required to plan and perform the audit and obtain a reasonable degree of assurance as to the maintenance of effective internal controls over financial reporting, in all material aspects. Our audit included: obtaining an understanding of the internal controls over financial reporting, assessing the risk of existence of a material weakness, and also testing and evaluating of the design and operating effectiveness of internal controls based on the assessed risk. Our audit also included performing such other procedures which we considered necessary under the circumstances. We are of the opinion that our audits and the reports of the other independent auditors provide a reasonable basis for our opinion.

A bank's internal controls over financial reporting is a process designed to provide a reasonable degree of certainty as to the reliability of financial reporting and preparation of financial statements for external use in accordance with directives and guidelines of the Supervisor of Banks (hereinafter: "the directives"): As stated in Note 1 to the Financial Statements, the directives are largely based on accounting principles generally accepted in the United States (US GAAP). A bank's internal controls over financial reporting include policies and procedures which: (1) refer to record keeping which, with reasonable detail, accurately and properly reflects transactions and transfers of Bank assets (including their removal from Bank ownership); (2) provide a reasonable degree of certainty that transactions are properly recorded so as to allow for preparation of financial statements in accordance with directives and guidelines of the Supervisor of Banks (hereinafter: "the directives"): and (3) provide a reasonable degree of certainty with regard to avoidance or timely discovery of any unauthorized acquisition, use or transfer of Bank assets (including removal from Bank ownership) which may materially impact the financial statements.

Due to structural limitations, internal controls over financial reporting may not prevent or disclose misleading presentation. Also, reaching conclusions about the future on the basis of any current assessment of effectiveness is exposed to the risk that controls will become unsuitable due to changes in circumstances or that the extent of observance of the policies or procedures will change adversely.

In our opinion, the Bank maintained, in all material aspects, effective internal controls over financial reporting as of December 31, 2024 based on criteria stipulated in the integrated framework for internal controls published by COSO.

We have also audited, in accordance with generally accepted auditing standards in Israel and certain audit standards whose application to audits of banking corporations was stipulated in directives of and guidance from the Supervisor of Banks, the Bank's consolidated balance sheets as of December 31, 2024 and 2023 and the consolidated statements of profit and loss, consolidated statements of comprehensive income, consolidated statements of changes to equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2024, and our report dated February 26, 2025 includes an unqualified opinion on the aforementioned financial statements, based upon our audit and on the reports of other independent auditors.

Brightman Almagor Zohar & Co.

Ramat Gan, February 26, 2025

Brightman Almagor Zohar & Co.
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Independent Auditors' Report to Shareholders of Bank Mizrahi-Tefahot Limited

We have audited the accompanying consolidated balance sheets of Mizrahi Tefahot Limited and its subsidiaries ("the Bank") as of December 31, 2024 and 2023, and the statements of profit and loss, consolidated statements of comprehensive income, consolidated statements of changes to equity and consolidated statements of cash flows – for each of the three years in the period ended December 31, 2024. The Bank's Board of Directors and management are responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We have not audited the financial statements of subsidiaries whose assets included in consolidation account for 3.95% and 4.61% of total consolidated assets as of December 31, 2024 and 2023, respectively and whose net interest revenues before expenses with respect to credit losses, included in the consolidated statements of profit and loss, account for 5.27%, 5.44% and 5.63%, respectively of total consolidated net interest revenues before expenses with respect to credit losses for the years ended December 31, 2024, 2023 and 2022, respectively. The financial statements of these companies were audited by other auditors, whose reports were furnished to us, and our opinion, insofar as it relates to amounts included with respect to these companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Mode of Performance), 1973 and certain auditing standards, the application of which was prescribed by the directives of the Supervisor of Banks. These regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors and by management, as well as evaluating the overall financial statement presentation. We are of the opinion that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the above consolidated financial statements present fairly, in all material respects, the financial position – of the Bank and its subsidiaries – as of December 31, 2024 and 2023, and their results of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2024, in conformity with the directives and guidance of the Supervisor of Banks (hereinafter: "the directives"): As stated in Note 1 to the Financial Statements, the directives are largely based on accounting principles generally accepted in the United States (US GAAP).

We have also audited in accordance with PCAOB standards in the USA with regard to audit of internal controls over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel, the internal controls over financial reporting at the Bank as of December 31, 2024, based on criteria specified in the integrated framework for internal controls published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2025 included an unqualified opinion on the effectiveness of internal controls over financial reporting at the Bank.

Key audit matters

The key audit matters listed below have been, or needed to be, communicated to the Bank's Board of Directors and, in our professional opinion, were most significant in audit of the consolidated financial statements for the current period. These matters include, *inter alia*, any matter which: (1) Refers or may refer to material items or disclosures on the financial statements; and (2) Our discretion with regard thereto was especially challenging, subjective or complex. These matters were resolved in our audit and in forming our opinion of the consolidated financial statements as a whole. Communicating these matters below does not alter our opinion of the consolidated financial statements as a whole, and we do not use these to provide a separate opinion of these matters, nor of the items or disclosures to which they refer.

Provision for credit losses – classification and provision with respect to debts assessed on individual basis

As set forth in Notes 13 and 30 to the consolidated financial statements, the provision for credit losses with respect to debts assessed on individual basis amounted, as of December 31, 2024, to NIS 1,720 million.

The process of assessment of the loss inherent in the loan portfolio, with respect to substantial debts assessed on individual basis, is based on significant estimates associated with uncertainty, and on subjective assessments – both in identification and classification of debts as problematic debts or debts in good standing, and in measuring individual provisions. Changes in these estimates or assessments may have material impact on the individual provision for credit losses presented on the Bank's financial statements.

Given (1) the extensive discretion required of Bank management to identify the aforementioned problematic debts, based on specific criteria which may indicate that debt has become problematic, the estimated potential or current impact to the borrower's primary debt repayment source, the borrower's estimated cash flow for full repayment of the debt when due, and assessment of other financial data for the borrower which may provide indications for existence of current or potential weaknesses of the borrower, (2) discretion exercised by Bank management in calculating the individual provision for future cash flows expected to be used for debt service out of borrower operations, and realization of collateral and guarantees, and (3) audit of the provision for credit losses, which require significant discretion by the Independent Auditor as well as knowledge and experience, in order to review the reasonability of assumptions and data used by management in estimating the provision, we have identified the classification of debts reviewed on individual basis and the estimates used as basis for calculation of the individual provision for credit losses as a key audit matter. The response to the aforementioned key audit matter included application of procedures and assessment of audit evidence with respect to forming our opinion of the financial statements as a whole.

We have applied audit procedures with respect to this key matter, including review of the effectiveness of relevant controls for review of debt classification and for the individual provision for credit losses with respect to non-accruing debt. Furthermore, these procedures included, inter alia, the review of the process conducted by Bank management with regard to debt classification and estimating the individual provision for credit losses, including (1) identification of debts with problematic features and review of appropriateness of classification of debts in good standing for a sample of debts, and - (2) review of assumptions for cash flows used to determine the provision for credit losses for a sample of debts classified as non-accruing debt, based on review of the reported outcome for the borrower, value of their collateral and understanding the status of debt collection proceedings or debt re-structuring by the Bank.

Provision for credit losses – Provision for expected credit losses assessed on group basis

As set forth in Notes 13 and 30 to the consolidated financial statements, the provision for credit losses that were examined on a group basis amounted, as of December 31, 2024, to NIS 2,393 million.

In view of (1) the significant judgment and assessments by Bank management in development of models for assessment of expected credit losses based on forecasts regarding future economic events over the remaining term of such credit, early repayment forecasts and collection capacity of the financial assets; and (2) audit of the provision for credit losses, which requires significant judgment to be exercised by the Independent Auditor, as well as know-how and experience, in order to review the reasonability of the assessments and estimates used by management in determining the estimated provision, we have identified the provision for credit losses on group basis as a key matter in this audit. The response to the aforementioned key audit matter included application of procedures and assessment of audit evidence with respect to forming our opinion of the financial statements as a whole.

We have applied audit procedures with respect to this key matter, including review of the effectiveness of relevant controls for the process of calculating the provision for credit losses with respect to debts assessed on group basis, including controls with regard to validation and confirmation of relevant models and forecasting with regard to future economic events. Moreover, these procedures included, inter alia, the review of the process conducted by Bank management in assessing the provision for credit losses on group basis, which included: (1) Assessment of appropriateness of the models, assumptions included in these models and the methodology used to calculate the forecast regarding forward-looking events, and the provision with respect to debts assessed on group basis in general; (2) Review whereby the model calculations used in calculating the provision with respect to debts assessed on group basis are appropriate; (3) Review of integrity and accuracy of data used to calculate the estimated provision with respect to debts assessed on group basis. The procedures we have carried out also involved experts, having expertise and know-how, who helped us assess the appropriateness of the models used in forecasting, methodologies and macro-economic variables.

Brightman Almagor Zohar & Co.

Brightman Almagor Zohar & Co.
A Firm in the Deloitte Global Network
Certified Public Accountants

Ramat Gan, February 26, 2025
We have been serving as the Bank's Independent Auditor since 1995.

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Bank Mizrahi Tefahot
Financial Statements

2024

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Consolidated statement of profit and loss

For the year ended December 31

Reported amounts (NIS in millions)

	Note	2024	2023	2022
Interest revenues	2	25,798	24,005	16,195
Interest expenses	2	13,984	12,030	5,955
Interest revenues, net	2	11,814	11,975	10,240
Expenses due to credit losses	13.30	519	1,463	532
Interest revenues, net after expenses with respect to credit losses		**11,295**	**10,512**	**9,708**
Non-interest revenues				
Non-interest financing revenues	3	574	511	754
Commissions	4	2,060	2,028	2,052
Other revenues	5	273	266	622
Total non-interest revenues		**2,907**	**2,805**	**3,428**
Operating and other expenses				
Payroll and associated expenses	6	3,431	3,544	4,029
Maintenance and depreciation of buildings and equipment	16	992	1,098	1,012
Other expenses	7	799	927	1,132
Total operating and other expenses		**5,222**	**5,569**	**6,173**
Pre-tax profit		8,980	7,748	6,963
Provision for taxes on profit	8	3,326	2,669	2,356
After-tax profit		**5,654**	**5,079**	**4,607**
Share of profits of associated companies, after tax effect	15	16	1	5
Net profit:				
Before attribution to non-controlling interests		5,670	5,080	4,612
Attributable to non-controlling interests		(215)	(170)	(140)
Attributable to shareholders of the Bank		**5,455**	**4,910**	**4,472**
Earnings per share[(1)] (in NIS)	9			
Basic earnings				
Net profit attributable to shareholders of the Bank		**21.12**	**19.07**	**17.47**
Diluted earnings				
Net profit attributable to shareholders of the Bank		**21.02**	**19.00**	**17.38**

(1) Share of NIS 0.1 par value.

The accompanying notes are an integral part of the financial statements.

Avraham Zeldman	Moshe Lari	Menahem Aviv
Chairman of the Board of Directors	President & CEO	Vice-President Chief Accountant

Approval date:
Ramat Gan, February 26, 2025

Consolidated statement of comprehensive income

For the year ended December 31

Reported amounts (NIS in millions)

	Note	2024	2023	2022
Net profit:				
Before attribution to non-controlling interests		5,670	5,080	4,612
Attributable to non-controlling interests		(215)	(170)	(140)
Net profit attributable to shareholders of the Bank		**5,455**	**4,910**	**4,472**
Other comprehensive income (loss) before taxes	10			
Adjustments for presentation of available-for-sale securities at fair value, net		205	150	(809)
Net gains from cash flow hedges		3	5	18
Adjustments of liabilities with respect to employee benefits(1)		109	(23)	517
Total other comprehensive income (loss), before tax		**317**	**132**	**(274)**
Related tax effect		(107)	(44)	70
Other comprehensive income (loss) after taxes(2)				
Other comprehensive income (loss), before attribution to non-controlling interests		210	88	(204)
Less other comprehensive income (loss) attributed to non-controlling interests		15	(16)	7
Other comprehensive income (loss) attributed to shareholders of the Bank, after taxes		**195**	**104**	**(211)**
Comprehensive income:				
Before attribution to non-controlling interests		5,880	5,168	4,408
Attributable to non-controlling interests		(230)	(154)	(147)
Comprehensive income attributable to shareholders of the Bank		**5,650**	**5,014**	**4,261**

(1) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve.
(2) For more information see Note 10 – Cumulative Other Comprehensive Income (Loss).

The accompanying notes are an integral part of the financial statements.

Consolidated balance sheet

As of December 31

Reported amounts (NIS in millions)

	Note	2024	2023
Assets			
Cash and deposits with banks	11	82,644	86,550
Securities[(1)(2)]	12	28,491	23,071
Securities borrowed or purchased in resale agreements	27	264	106
Loans to the public	13.30	362,094	329,415
Provision for credit losses	13.30	(4,113)	(4,069)
Loans to the public, net	13.30	357,981	325,346
Loans to Governments	14	318	480
Investments in associated companies	15	263	242
Buildings and equipment	16	1,852	1,531
Intangible assets and goodwill	15.D	117	148
Assets with respect to derivatives	28	5,526	6,282
Other assets	17	8,187	4,448
Total assets		**485,643**	**448,204**
Liabilities and Equity			
Deposits from the public	18	393,383	358,553
Deposits from banks	19	2,599	4,571
Deposits from the Government		49	71
Bonds and subordinated notes	20	36,916	37,070
Liabilities with respect to derivatives	28	5,123	7,367
Other liabilities [(3)]	30.E, 21	14,844	11,869
Total liabilities		**452,914**	**419,501**
Shareholders' equity attributable to shareholders of the Bank		31,292	27,461
Non-controlling interests		1,437	1,242
Total equity	**24**	**32,729**	**28,703**
Total liabilities and equity		**485,643**	**448,204**

(1) Of which: NIS 24,285 million recognized on the financial statements at fair value (on December 31, 2023: NIS 19,121 million).
(2) For more information with regard to securities pledged to lenders, see Note 27.
(3) Of which: Provision for credit losses with respect to off balance sheet credit instruments amounting to NIS 245 million (on December 31, 2023: NIS 201 million).

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Shareholders' Equity

For the year ended December 31

Reported amounts (NIS in millions)

	Share capital and premium(1)	Capital reserve from benefit from share-based payment transactions	Total paid-up share capital and capital reserves	Cumulative other comprehensive income (loss)(2)	Retained earnings(3)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of December 31, 2021	**3,497**	**76**	**3,573**	**(303)**	**17,500**	**20,770**	**959**	**21,729**
Opening balance adjustment for effect of initial application of US GAAP with regard to credit losses(6)	-	-	-	-	(355)	(355)	(3)	(358)
Adjusted balance as of January 1, 2022 after initial application	3,497	76	3,573	(303)	17,145	20,415	956	21,371
Net profit for the period	-	-	-	-	4,472	4,472	140	4,612
Dividends paid	-	-	-	-	(941)	(941)	-	(941)
Benefit from share-based payment transactions	-	45	45	-	-	45	-	45
Realization of share-based payment transactions(5)	22	(22)	-	-	-	-	-	-
Dividends attributable to non-controlling interests in subsidiary	-	-	-	-	-	-	(15)	(15)
Other comprehensive income (loss), net, after tax	-	-	-	(211)	-	(211)	7	(204)
Balance as of December 31, 2022	**3,519**	**99**	**3,618**	**(514)**	**20,676**	**23,780**	**1,088**	**24,868**
Net profit for the period	-	-	-	-	4,910	4,910	170	5,080
Dividends paid(4)	-	-	-	-	(1,390)	(1,390)	-	(1,390)
Benefit from share-based payment transactions	-	57	57	-	-	57	-	57
Realization of share-based payment transactions(5)	37	(37)	-	-	-	-	-	-
Other comprehensive income (loss), net, after tax	-	-	-	104	-	104	(16)	88
Balance as of December 31, 2023	**3,556**	**119**	**3,675**	**(410)**	**24,196**	**27,461**	**1,242**	**28,703**
Net profit for the period	-	-	-	-	5,455	5,455	215	5,670
Dividends paid(4)	-	-	-	-	(1,869)	(1,869)	-	(1,869)
Benefit from share-based payment transactions	-	50	50	-	-	50	-	50
Realization of share-based payment transactions(5)	15	(15)	-	-	-	-	-	-
Dividends attributable to non-controlling interests in subsidiary	-	-	-	-	-	-	(35)	(35)
Other comprehensive income (loss), net, after tax	-	-	-	195	-	195	15	210
Balance as of December 31, 2024	**3,571**	**154**	**3,725**	**(215)**	**27,782**	**31,292**	**1,437**	**32,729**

(1) Share premium generated prior to March 31, 1986.
(2) For more information see Note 10 – Cumulative Other Comprehensive Income (Loss).
(3) For details on various limitations on dividend distributions, see Note 24.
(4) For more information regarding dividends paid, see Note 24.
(5) For more information regarding share issuance, see Note 23.
(6) Opening balance adjustment for effect of initial application of US GAAP with regard to credit losses
- On February 26, 2025, after the balance sheet date, the Bank’s Board of Directors resolved to distribute dividends amounting to NIS 522 million, or 40% of earnings in the fourth quarter of 2024. According to accounting rules, this amount will be deducted from retained earnings in the first quarter of 2025.

The accompanying notes are an integral part of the financial statements.

Statement of cash flows – consolidated

For the year ended December 31

Reported amounts (NIS in millions)

	2024	2023	2022[(1)]
Cash Flows from Current Activity			
Net profit before attribution to non-controlling interests	5,670	5,080	4,612
Adjustments			
Share of banking corporation in undistributed earnings of associated companies	(16)	(1)	(5)
Depreciation of buildings and equipment (including impairment)	285	411	332
Expenses due to credit losses	519	1,463	532
Loss (gain) from sale of securities available for sale and shares not held for trading	25	105	14
Realized and unrealized loss (gain) from adjustment to fair value of securities held for trading	(43)	9	(103)
Realized and unrealized loss (gain) from adjustments to fair value of shares not held for trading	(74)	(7)	81
Gain from sale of buildings and equipment	-	-	(241)
Impairment of securities held for sale and shares not held for trading	6	15	50
Expenses arising from share-based payment transactions	50	57	45
Deferred taxes, net	15	(285)	(408)
Change in employees' provisions and liabilities	64	(169)	138
Adjustments with respect to exchange rate differentials	(24)	(181)	(463)
Gain from sale of loan portfolios	-	-	(8)
Accrual differences included with investment and financing operations	9,669	(2,040)	162
Net change in current assets			
Assets with respect to derivatives	759	(488)	(2,119)
Securities held for trading	531	(832)	(147)
Other assets, net	(3,790)	(360)	(15)
Net change in current liabilities			
Liabilities with respect to derivatives	(2,244)	2,153	1,461
Other liabilities	2,978	(1,398)	(19)
Net cash provided by current operations	**14,380**	**3,532**	**3,899**

(1) Reclassified

The accompanying notes are an integral part of the financial statements.

Statement of cash flows – consolidated – continued

For the year ended December 31

Reported amounts (NIS in millions)

	2024	2023	2022[1]
Cash flows from investment activities			
Net change in deposits with banks	37	215	(202)
Net change in loans to the public	(26,888)	(15,867)	(36,246)
Net change in loans to Governments	162	(162)	159
Net change in securities loaned or acquired in resale agreements	(158)	209	1,017
Acquisition of bonds held to maturity	(291)	(800)	(1,821)
Proceeds from redemption of bonds held to maturity	151	573	851
Purchase of securities available for sale and shares not held for trading	(23,217)	(10,799)	(15,233)
Proceeds from sale of securities available for sale and shares not held for trading	6,527	7,880	17,132
Proceeds from redemption of securities available for sale	3,095	1,371	222
Proceeds from sale of loan portfolios	125	25	1,943
Purchase of loan portfolios – public	(2,300)	(2,643)	(2,306)
Acquisition of buildings and equipment	(606)	(438)	(391)
Proceeds from sale of buildings and equipment	-	-	532
Purchase of shares in associated companies	(12)	(30)	(61)
Proceeds from realized investment in associated companies	22	9	8
Net cash used in investment activities	**(43,353)**	**(20,457)**	**(34,396)**
Cash flows provided by financing operations			
Net change in deposits from the public	29,943	10,330	34,446
Net change in deposits from banks	(1,972)	(2,423)	2
Net change in deposits from Government	(22)	24	(34)
Issuance of bonds and subordinated notes	8,111	7,706	5,038
Redemption of bonds and subordinated notes	(9,076)	(4,411)	(10,258)
Dividends paid to shareholders	(1,869)	(1,390)	(941)
Dividends paid to external shareholders in subsidiaries	(35)	-	(15)
Net cash provided by financing operations	**25,080**	**9,836**	**28,238**
Increase (decrease) in cash	(3,893)	(7,089)	(2,259)
Cash balance at beginning of the period	85,957	92,865	94,661
Effect of changes in exchange rate on cash balances	24	181	463
Cash balance at end of the period	**82,088**	**85,957**	**92,865**
Interest and taxes paid / received			
Interest received	23,704	21,737	11,577
Interest paid	13,605	9,782	5,416
Dividends received	38	14	36
Income taxes received	205	21	140
Income taxes paid	3,715	3,262	2,211
Appendix A – Non-cash Investment and Financing Transactions			
Acquisition of buildings and equipment	-	1	1

(1) Reclassified

Note 1 – Reporting Principles and Accounting Policies

A. Overview

1) Bank Mizrahi Tefahot Ltd. (hereinafter: the “Bank”) is an Israeli corporation. The Group’s financial consolidated financial statements as of December 31, 2024 include the financial statements of the Bank and its subsidiaries (hereinafter: the “Group”) and the Group’s interests in associates. The Financial Statements have been prepared in accordance with the directives and guidelines of the Supervisor of Banks. These directives largely adopt the accounting rules accepted at banks in the United States (US GAAP).
The notes to the Financial Statements refer to the Bank’s financial statements and to the consolidated financial statements of the Bank and its subsidiaries, unless it is stated in the note that it refers solely to the Bank or to consolidated data.
On February 26, 2025, the Bank’s Board of Directors authorized publication of the Bank’s consolidated Financial Statements as of December 31, 2024.

2) Definitions
In these financial statements:

"Generally accepted accounting principles for banks in the United States" – Accounting rules which American banks traded in the USA are required to apply. These principles are specified by banking supervisory authorities in the USA, the US SEC, the US Financial Accounting Standards Board and other US entities; they are applied in conformity with the hierarchy specified in FAS 168 (ASC 105-10) – Codification of accounting standards of the US Financial Accounting Standards Board and GAAP hierarchy. In addition, as stipulated by the Supervisor of Banks, notwithstanding the hierarchy specified in the American FAS 168, it has been clarified that any position made public by US banking supervision authorities or by the team of the US banking supervision authorities, with regard to application of generally accepted accounting principles in the USA, is a Generally Accepted Accounting Principle for Banks in the USA.

"The Bank" – Bank Mizrahi-Tefahot Ltd.

"Subsidiaries" – entities whose financial statements are fully consolidated with those of the Bank, directly or indirectly.

"Bank Group" – The Bank and its subsidiaries.

"Associated companies" – Entities in which the Group has material influence over financial and operational policies, but over which it has no control. Investment in associated companies is included in the financial statements using the equity method.

"Investees" – Subsidiaries and associated companies.

"Overseas affiliates" – Representatives, branches or subsidiaries of the Bank outside Israel.

"Functional currency" – The currency of the primary economic environment in which the Bank operates. This is typically the currency of the environment in which the corporation generates and expends most of its cash.

"Presentation currency" – The currency in which the financial statements are presented.

"Adjusted amount" – Historical nominal amount, adjusted for changes in the economic purchasing power of Israeli currency.

"Reported amount" – An amount adjusted as of December 31, 2003 (hereinafter: "the transition date"), plus amounts in nominal values that were added after the transition date, minus amounts deducted after the transition date.

"Cost" – Cost in reported amount.

"Related parties" and "Interested parties" – As defined in Section 80 of the Public Reporting Directives.

Note 1 – Reporting Principles and Accounting Policies – continued

B. Preparation basis of the financial statements

1) Principles of financial reporting
The Bank's Financial Statements have been prepared in accordance with the directives and guidelines of the Supervisor of Banks. These directives largely adopt the accounting rules accepted at banks in the United States (US GAAP).

2) Functional currency and reporting currency
The consolidated financial statements are presented in NIS, which is the Bank's functional currency, rounded to the nearest one million, unless otherwise indicated. NIS is the currency which reflects the principal economic environment in which then Bank operates. For information about the functional currency of overseas banking affiliates, see section F.1 below.

3) Measurement basis
The financial statements were prepared based on historical cost, except for the following items:
- Financial derivative instruments and other financial instruments that are measured at fair value through profit and loss (such as: investments in securities in the held-for-trade portfolio or instruments for which the fair value option was selected);
- Financial instruments classified as available for sale;
- Liability with respect to share-based payment;
- Non-current assets held for sale and asset group held for sale;
- Deferred tax assets and liabilities;
- Various provisions, such as provisions for credit losses and provision for legal claims;
- Assets and liabilities with respect to employees' benefits;
- Investments in associated companies.

The value of non-monetary assets and capital items measured based on historical cost was adjusted for changes in the Consumer Price Index through December 31, 2003. Through this date, the Israeli economy was considered a hyper-inflationary economy. As from January 1, 2004, the Bank prepares its financial statements in reported amounts.

4) Use of estimates

In preparing the consolidated financial statements in accordance with the directives of the Supervisor of Banks, management is required to exercise judgment, and use assessments, estimates and assumptions which impact the implementation of policies and amounts of assets and liabilities, revenues and expenses. Note that actual results may differ from these estimates.
When formulating accounting estimates during preparation of the financial statements, Bank management is required to make assumptions with regard to circumstances and events involving significant uncertainty. In its judgment when determining these estimates, Bank management relies on past experience, various facts, external factors and reasonable assumptions in accordance with the appropriate circumstances for each estimate.
The underlying estimates and assumptions are regularly reviewed. Changes to accounting estimates are recognized in the period in which these estimates were revised and in any affected future period.

C. Impact of military and macro-economic developments on financial reporting

Geopolitical uncertainty:

On October 7, 2023 Israel was subject to a murderous terror attack launched from Gaza by the Hamas terror organization and in response started the Iron Swords War (hereinafter - the "War"). At a later stage the War expanded to additional fronts, the key of which was the northern front in Lebanon. As of the end of 2024, a ceasefire was agreed in the northern front, although there is still uncertainty regarding the situation in that front; military activity in the Gaza front continues.

During the course of the 15 months of the War Israel faced a significant security challenge, which required the allocation of many resources and forces and involved material expenses for munition, drafting of reservists, evacuation of hundreds of thousands of residents, compensation for damage to property and bodily injury, etc. In addition to the security risks, Israel's relationships with its western allies suffered due to discussions about the War, its scope and intensity, and Israel's dependence on munition supplied by the USA and European countries.

Note 1 – Reporting Principles and Accounting Policies – continued

Despite the significant security expenses and the large-scale amounts paid in indemnification for deaths and bodily injuries, the leading indices on the Tel Aviv Stock Exchange increased by dozens of percentage points, and the NIS has strengthened against foreign currencies. However, the interest rate remained at a relatively high level, and on January 6, 2025 the Monetary Committee decided to leave the interest rate unchanged at 4.5%.

Downgrading of the State of Israel's rating:

During 2024, as a result of the War and its expected negative effects on the Israeli economy, the three rating agencies (Moody's, Fitch and S&P) announced the downgrading of the State of Israel's credit rating. In addition, a negative outlook was added to the rating.

For more information about the impact of the downgrading of the State of Israel's credit rating on the Bank's capital ratios, see Note 25 to the Financial Statements.

The general effect of geopolitical instability on the Bank's activity:

The continuation of the War might/(is expected) to have an adverse effect on economic activity in a range of business sectors in Israel to which the Bank is exposed, including an increase in credit risk and liquidity difficulties of borrowers, and consequently impairment of the quality of credit, both in the business banking segment and in the private banking segment. For a disclosure about the effects of the War in determining the estimated provision for credit losses see Note 31 regarding "additional information regarding credit risk, loans to the public and provision for credit losses".

Furthermore, the War caused substantial instability and uncertainty in the Israeli economy, and these circumstances pose many challenges to the measurement of fair value of financial instruments held by the Bank, including derivative instruments. The reporting period was characterized by unusual fluctuations in the value of financial instruments held by the Bank; therefore, the Bank conducted impairment testing and performed appraisals of non-negotiable assets. Furthermore, the Bank conducts regular assessments of the existing hedging relationships as per its reports in order to verify that those relationships comply with all the effectiveness requirements.

In addition, the Bank is exposed to exchange rate changes, which affect the value of the financial instruments held by the Bank. For information regarding the scope of the Bank's exposure to key foreign currencies, see Note 31 regarding "Assets and Liabilities by Linkage Basis".

D. Legislation changes with regard to tax

In March 2024 the Knesset passed the Special Payment for the Achievement of Budgetary Goals Law (Temporary Order – Iron Swords), 2024, according to which a bank which does not have a small scope of activity (meaning a bank the value of the assets of which is equal to 5% of the value of the assets of all Israeli banks or lower), shall pay the State Treasury for the periods from April 1, 2024 to December 31, 2025 a yearly payment equal to 6% of the profit generated for its activity in Israel. In the event that the total payments received from the banks pursuant to this law are higher than a ceiling set in law, each bank shall be reimbursed in accordance with their relative share of that yearly payment. Under certain circumstances the Ministry of Finance, with the approval of the Finance Committee, is entitled to shorten the payment period to December 31, 2024.

In addition, in March 2024 the Knesset's plenum ratified the order that sets the payroll and profit tax increase from 17% to 18% starting January 1, 2025. However, a bank which will be subject to payment of 6% on profits in 2025 in accordance with the Special Payment for the Achievement of Budgetary Goals Law (Temporary Order – Iron Swords), 2024 as noted above, shall pay 17% of the salaries it paid and the profit it generated in that year.

For more information regarding the effect of changes in tax laws on the effective tax rate and the deferred tax balances, see Note 8.E. below.

Furthermore, the abovementioned change did not have a material effect on the Bank's capital adequacy ratio.

Note 1 – Reporting Principles and Accounting Policies – continued

E. Initial application of accounting standards, accounting standard updates and directives of the Supervisor of Banks

As from reporting periods starting on January 1, 2024, the Bank applies the following new directives and revisions:

(1) Update to ASU 2022-02 regarding restructuring of problematic debts and disclosure requirements by the year on which the credit was extended.

(2) Updated standard ASU 2023-07 regarding improvement to disclosure requirements concerning reportable segments

(3) Circular No. 2798-06-H of the Supervisor of Banks regarding “Disclosure of Interest Risk and Disclosure of Liquidity and Financing Risk”.

Below is a description of the nature of changes applied to accounting policies in these annual Financial Statements, and a description of the initial application and any impact thereof:

1) Update to ASU 2022-02 regarding restructuring of problematic debts and disclosure requirements by the year on which the credit was extended:

On March 31, 2022, the Financial Accounting Standards Board ("FASB") issued ASU 2022-02 regarding re-structuring of problematic debts and disclosure requirements by year when credit was extended with regard to provisions for credit losses (hereinafter: "the Update").

The Update rescinded the provisions regarding restructuring of problematic debts by lenders, improving the disclosure requirements with respect to borrowers facing economic challenges. The Update also adds a disclosure requirement regarding gross write-offs by year when credit was extended.

On October 19, 2023, the Supervisor of Banks issued a circular regarding "Revision of debt terms for borrowers in financial difficulties", which revised the public reporting regulations in conformity with revision of accounting standards on this matter.

The key changes in the circular included, among other things: Elimination of the definition "debt subject to restructuring of problematic debt”, including the elimination of the demand to test whether the Bank had granted a waiver to determine this classification, to be superseded by the term "Revision of debt terms for borrowers in financial difficulties"; revision of disclosure requirements on the financial statements, so as to provide disclosure of any change in debt terms for borrowers in financial difficulties, which includes waiver of principal, reduction of interest rate or extension of the term which does not result in negligible deferment of payments; elimination of the requirement to calculate a provision for credit losses for debt subject to re-structuring of problematic debt, using the discounted cash flow method; extended disclosure of "Credit quality by origination year" to include information about gross accounting write-offs during the year.

Banking corporations were required to implement the directive from January 1, 2024, in accordance with the guidelines and transition provisions set in the directive.

The Bank has adopted certain reliefs on the initial directive date, as made possible by the transition orders, including the expedient regarding the determination of the balance of borrowers in financial difficulties subject to revision of terms through December 31, 2023 may be determined based on the balance of debt subject to re-structuring of problematic debt through December 31, 2023.

Implementation of the directive has influenced the measurement method of the provision to credit losses in light of the cancellation of the requirement to calculate the provision to credit losses, for the a debt being restructured for a problematic debt, in the cash flow capitalization method. For further details, see Note 30, Information About Credit Risk, Loans to the Public and Provision for Credit Losses.

In addition, quantitative disclosures in Additional Information About Credit Risk, Loans to the Public and Provision for Credit Losses in the Financial Statements were updated to the new quantitative format. With respect to this matter, the Bank opted to define debts that were restructured before the effective date of the new standard as debts of borrowers in financial difficulties, whose terms were modified. Comparative data have not been restated, but their presentation was modified to reflect the new disclosure format, except for the information required for the first time, and specifically the additional details regarding the types of changes that have been executed through December 31, 2023 to debts of borrowers in financial difficulties, the monetary effects of those changes, and the additional details of the types of changes to such debts which defaulted in the reporting year.

Note 1 – Reporting Principles and Accounting Policies – continued

Debt arrangement policies and accounting for changes in terms of debts of borrower in financial difficulties (instead of restructuring of problematic debts):

In order to improve credit management and collection, and to avoid default or seizure of pledged assets, the Bank has set and implements orderly procedures and processes for debt arrangements involving problematic debts and changes to terms and conditions of debts not identified as problematic. Methods for changing terms and conditions of debts may include, inter alia, recycling of the loan, deferral of payment dates, reduced interest rates or periodic installment amounts, changes to repayment schedule, changes to debt terms in order to align it with the borrower's financing structure, debt consolidation for the borrower, transfer of debt to other borrowers in a borrower group under joint control, renewed evaluation of financial covenants imposed on the borrower, enhancing and changing collaterals, etc.

The Bank’s procedures for debt arrangements are based on criteria which allow the competent organs and the Bank’s management to exercise discretion as to whether debt repayment is expected, and they are applied when borrower has shown their capacity to repay the debt and is expected to comply with the restructured terms and conditions.

In order to determine whether a debt restructuring conducted by the Bank constitutes a change in the terms of debts of borrowers in financial difficulties, the Bank conducts a qualitative review of all terms and conditions of the restructuring and the circumstances thereof, in order to determine whether this is a change in the terms of the debt of a borrower undergoing financial difficulties.

In order to determine whether the borrower is in financial duress, the Bank considers if there are any indications of difficulties upon the restructuring date, or existence of a reasonable likelihood that the creditor would be in financial duress if not for the re-structuring. *Inter alia*, the Bank reviews the existence of one or more of the following circumstances:

- The debtor is currently in payment default for any of its debts, or, the Bank estimates that the debtor is expected to be in default for any of its debts in the foreseeable future, if the change is not made. This means that the Bank may conclude that the debtor is in financial difficulties, even if the debtor is not currently in payment default.
- The debtor has declared bankruptcy or is in Receivership or any in any other bankruptcy or Receivership proceedings.
- There is significant doubt about the debtor continuing as a going concern.
- The debtor has securities that have been delisted, are in the process of being delisted or are being threatened with delisting from the stock exchange.
- According to estimates and projections which only include the debtor's current capabilities, the Bank expects specific cash flows for the debtor entity would be insufficient to service any of its debt (principal and interest) in conformity with contractual terms of the existing agreement in the foreseeable future.
- lenders, at effective interest rates equal to the prevailing market interest rates for similar debt of a non-problematic debtor.

The Bank does not classify a debt restructuring as a change in the terms of debts of borrowers undergoing financial difficulties if the change results in an insignificant delay in repayment considering the payment frequency, the contractual term to maturity and the original term to maturity of the debt.

For this matter, if multiple restructurings took place involving changes to debt terms, the Bank accounts for the accumulated effect of previous restructurings, carried out over the course of 12 months, in order to determine whether the deferral of payments due to the debt structuring is not material.

A debt of a borrower in financial difficulty whose terms were revised may be classified as accruing or non-accruing debt as of the revision date.

Furthermore, the classification of a debt of a borrower in financial difficulty as restructured debt does not automatically require the debt to be classified as problematic.

Upon the revision date, the Bank reassesses the appropriate classification, considering the relevant factors for risk assessment, including the scope of the debtor’s financial difficulties and repayment capacity under the new terms while reviewing ongoing historic repayment performance of the debtor.

Furthermore, the classification as problematic debt of a debt of a borrower in financial difficulties whose terms were revised does not automatically cause the debt to remain classified as problematic for its remaining term, even if the debt was classified as problematic prior to or upon the revision of terms.

Application of this directive has no material impact on the Bank's financial statements. However, the application affects the format of disclosure provided.

Note 1 – Reporting Principles and Accounting Policies – continued

(2) Updated standard ASU 2023-07 regarding improvement to disclosure requirements concerning reportable segments

On November 27, 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07 regarding improvement to disclosure requirements concerning reportable segments (hereinafter: "the Update"). The Update improves the disclosure requirements, which include, among other things, a requirement to disaggregate 'significant expenses' and other items in the format used to repot to the Bank's management. In addition, companies are required to disclose the identity and function of the Chief Operating Decision Maker in the Bank (CODM).

The provisions of the circular apply as from the Financial Statements as of December 31, 2024. The format of presentation in the operating segments note in accordance with management's approach is consistent with the method used by management to analyze the Bank's activity.

(3) Circular No. 2798-06-H of the Supervisor of Banks regarding "Disclosure of Interest Risk and Disclosure of Liquidity and Financing Risk".

On October 8, 2024 the Supervisor of Banks published a circular regarding "Disclosure of Interest Risk and Disclosure of Liquidity and Financing Risk".

The circular revised the Public Reporting Directives in order to establish an expanded disclosure framework aimed to achieve an effective and comprehensive disclosure on management of interest, liquidity and financing risks. Among other things, Note 33 regarding "Assets and liabilities by currency and by term to maturity" was revised as follows:

- The name of the note was revised to "Cash flows in accordance with contractual repayment date"
- The disclosure regarding the composition of monetary assets and liabilities was expended.
- A disclosure was added regarding net on-call to 1 day cash flows, and the details provided regarding longer repayment periods were curtailed.
- A requirement was added to provide quarterly disclosure of this note on a consolidated basis.

The provisions of the circular will be implemented as from the Financial Statements as of December 31, 2024. The comparative figures were presented in accordance with the data detailed in the disclosure format in the Public Reporting Directives.

F. Accounting policies applied in preparing the financial statements

1) Foreign currency and linkage:

A. Foreign currency transactions

Upon recognition of a foreign currency transaction, any asset, liability, revenue, expense, gain or loss from the transaction are translated, upon initial recognition, to the functional currency of the Bank and its affiliates (NIS), using the exchange rate in effect as of the transaction date.

Upon each reporting date, monetary assets and liabilities denominated in foreign currency as of the reporting date are translated into the functional currency at the exchange rate as of that date.

Non-monetary assets and liabilities denominated in foreign currency and measured at fair value, are translated into the functional currency using the exchange rate effective as of the date on which the fair value is determined.

Non-monetary items denominated in foreign currency and measured at historical cost, are translated at the exchange rate as of the transaction date.

Gains or losses from translation of foreign currency transactions due to currency fluctuations between the transaction date and the settlement date / the balance sheet date, including with respect to exchange rate differences with respect to available-for-sale debt instruments which, according to the Public Reporting Directives, would continue to be recognized on the statement of profit and loss through January 1, 2025 (as stipulated in transitional provisions), recognized on the statement of profit and loss gains or losses from translation differences (non-interest financing revenues), except for:

- The effective portion of gain or loss with respect to a hedging instrument in a cash flow hedge.
- Exchange rate differentials with respect to items that are part of a net investment.

Note 1 – Reporting Principles and Accounting Policies – continued

B. Overseas banking affiliates

The Bank treats its overseas banking affiliates as those whose functional currency is the same as the Bank's (NIS). Assets and Liabilities linked to the CPI which are not measured at fair value, are included based on the linkage terms specified for each balance.

C. Information regarding major official exchange rates, the Consumer Price Index and changes:

	As of December 31			Change rate in %		
	2024	**2023**	**2022**	**2024**	**2023**	**2022**
Consumer Price Index:						
CPI for December (points)	256.6	248.6	241.4	3.2	3.0	5.3
Known CPI for November (points)	257.3	248.8	240.8	3.4	3.3	5.3
Exchange rate of:						
USD (in NIS)	3,647	3,627	3,519	0.6	3.1	13.2
EUR (in NIS)	3,796	4,012	3,753	(5.4)	6.9	6.6

2) Consolidation basis

A. Subsidiaries in which the Bank does not hold more than 50%

The Bank holds 50% of the issued and paid-in share capital of Bank Yahav for Government Employees Ltd. (hereinafter: "Bank Yahav"). The balance of the issued and paid-in share capital is held by a single shareholder and the Bank has no excess legal rights. The Supervisor of Banks has allowed the Bank to consolidate the financial statements of Bank Yahav under the circumstances concerning the Bank's influence over management of Bank Yahav business and in conformity with Section 9G. of the Public Reporting Directives.

For more information about the balance of the investment in investee companies and the contribution to net profit attributable to shareholders of the Bank, see Note 15 to the financial statements.

B. Subsidiaries

Financial statements of subsidiaries are included in the consolidated financial statements from the date control is achieved and through the date control is terminated. Accounting policies of subsidiaries were modified as needed, to align them with the accounting policies of the Bank.

C. Non-controlling interests

Non-controlling interests are any shareholders' equity in a subsidiary which is not attributable, directly or indirectly, to the parent company.

Attribution of Comprehensive Income to shareholders:

Profit or loss and any Other Comprehensive Income item are attributed to the controlling shareholder of the Bank and to non-controlling interests. Total profit, loss and Other Comprehensive Income are attributed to the owners of the Bank and to non-controlling interests, even if this results in a negative balance of non-controlling interests.

D. Transactions canceled upon consolidation

Mutual balances within the Group and unrealized revenues and expenses arising from inter-company transactions have been canceled in the course of preparing the consolidated financial statements.

3) Investments in associated companies

In reviewing the existence of material influence, the assumption is that a holding stake of 20%-50% in an investee confers material influence.

Investment in associated companies is accounted for using the equity method and is initially recognized at cost. The investment cost includes transaction costs.

Investment in an associated company is evaluated for impairment when events or changes in circumstances indicate that the carrying amount of such investment is not recoverable. Impairment is recognized when impairment is other-than-temporary in nature.

The consolidated financial statements include the Group's share of revenues and expenses, profit or loss and other comprehensive income of investee companies treated according to the equity method. After required adjustments to align accounting policies with those of the Group, from the date when material influence is achieved through the date when material influence is discontinued.

Note 1 – Reporting Principles and Accounting Policies – continued

4) Offset of assets and liabilities

The Bank offsets assets and liabilities arising from the same counter-party and will present their net balance on the balance sheet, when all of the following conditions are met:

- The banking corporation has an enforceable legal right to offset assets against liabilities with regard to said liabilities.
- The banking corporation intends to repay the liabilities and realize the assets on a net basis or concurrently.
- Both the banking corporation and the counter-party owe each other amounts which may be determined.

It was further stipulated that a banking corporation should offset deposits whose repayment to the depositor is contingent on the extent of collection of borrowing against those deposits, when the banking corporation has no risk of credit losses.

However, the banking corporation may not offset amounts on the balance sheet without prior approval of the Supervisor of Banks.

Currently, it is Bank policy to present exposures with transactions on a gross basis, except for deposits whose repayment to the depositor is contingent on the extent of collection of borrowing, as described above. Accordingly, designated deposits for extending credit, for which repayment to the depositor is contingent upon the collection of the loan (when the Bank Group is not at risk of credit loss) were set off against the loans issued out of these deposits. The interest margins from this activity are presented in the statement of profit and loss under "commissions".

5) Basis of recognition of revenues and expenses

A. Interest revenues and expenses are included on an accrual basis, except as follows:

1) Interest accrued on problematic debt classified as non-accruing debt is recognized as revenue on a cash basis when there is no doubt about collection of the outstanding recorded balance of the non-accruing debt. In such cases, the amount collected on account of interest to be recognized as interest revenues, is limited to the amount which would have accrued in the reported period on the outstanding recorded debt balance at the contractual interest rate. Interest revenues on a cash basis are classified as interest revenues under the relevant item on the statement of profit and loss.

   When collection of the outstanding recorded balance is doubtful, all payments collected serve to decrease the loan principal, until such doubt has been eliminated. Moreover, interest on amounts in arrears with respect to residential mortgages are recognized in the statement of profit and loss based on actual collection.

2) Securities – see section 6 below.

3) Financial derivative instruments – see section 16 below.

B. Commissions revenues with respect to services rendered (such as: activities in securities and derivative instruments, credit cards, account management, handling of credit, conversion differences and foreign trade activities) are recognized in profit and loss when the Bank becomes eligible to receive them. Certain commissions, such as commissions with respect to guarantees and certain commissions with respect to project support, are recognized on a relative basis over the transaction term.

C. Commissions for loan generation and direct costs of loan generation are recognized over the term of the loan, as adjustment to return, except in case of re-structuring of problematic debt. If the commitment expired un-realized, the commissions are recognized upon expiration.

D. Credit allocation commissions are treated in conformity with the likelihood of realization of the commitment to extend credit. If it is highly unlikely, the commission is recognized on straight line basis over the commitment period, otherwise the Bank defers recognition of such commission revenues until the commitment is realized or until it expires, whichever is sooner. If the commitment is realized, the commissions are typically recognized by way of adjustment to return over the term of the loan, as noted above. If the commitment expired un-realized, the commissions are recognized upon expiration.

E. Changes to the terms and conditions of debt

   In case of refinancing or restructuring of non-problematic debt, the Bank reviews whether a material change was made to the terms of the loan. Accordingly, the Bank evaluates whether the present value of cash flows under the new terms and conditions of the loan differs by at least 10% from the present value of remaining cash flows under the current terms and conditions (plus early repayment fee), or whether this involves a change in loan currency. In such cases, all unamortized commissions and early repayment commissions collected from the customer with respect to changes to the terms and conditions of the loan are recognized in profit & loss.

Note 1 – Reporting Principles and Accounting Policies – continued

Otherwise, these commissions are included as part of net investment in the new loan and are recognized as adjustments to returns, as described above.

F. Early repayment commissions

Early repayment commissions are immediately recognized under Interest Revenues, except for such commissions included as part of net investment in the new loan, which are recognized as an adjustment of yield.

G. Other revenues and expenses – are recognized on the accrual basis.

6) Securities

A. Securities in which the Bank invests are classified as follows:

1) Bonds held to maturity – bonds which the Bank intends and is able to hold to maturity, except for bonds subject to early redemption or other disposal, such that the Bank would not recoup substantially all of its recognized investment. Bonds held to maturity are carried on the balance sheet at par value plus interest and linkage differentials and accrued exchange rate differentials, considering the relative share of premium or discount and net of loss with respect to other-than-temporary impairment.

2) Bonds available for sale – bonds not classified as bonds held to maturity or as securities held for trading. Bonds available for sale are carried on the balance sheet at fair value as of the reporting date. Any unrealized gains or losses from adjustment to fair value are not included in the statement of profit and loss and are reported net of the appropriate tax reserve, under a separate equity item under Cumulative Other Comprehensive Income, except for loss with respect to other-than-temporary impairment. For securities which include embedded derivatives – see section 16.C below.

3) Securities held for trading – securities acquired and held in order to be sold in the near term, or securities which the Bank has elected to measure at fair value through profit & loss using the fair value option, except for shares for which no fair value is available. Securities held for trading are carried on the balance sheet at fair value as of the report date. Unrealized gains or losses from the adjustments to fair value are charged to the statement of profit and loss.

4) Shares not held for trading

Shares that have an available fair value are carried on the balance sheet at fair value as of the report date. Unrealized gains or losses from the adjustment to fair value are charged to the statement of profit and loss.

Shares for which no fair value is available are carried on the balance sheet at cost net of impairment, plus or minus observed price changes in ordinary transactions for similar or identical investments of the same issuer. Unrealized gains or losses from the adjustments to such observed price changes are recorded to the statement of profit and loss.

B. Bank investments in other funds not accounted for using the equity method, are stated at cost net of any other-than-temporary impairment loss. Gain from these investments are recognized in the Statement of Profit and Loss upon realization of the investment. Dividends received from Bank investments in these funds are recorded to profit & loss when the Bank has the right to receive them, up to the amount of earnings accumulated since this investment was acquired.

C. The cost of realized securities is calculated on FIFO basis, except for securities acquired as part of hedging relations, or in conjunction with creating a strategic position or for any other specific purpose, which is separately identified.

D. With regard to calculation of fair value, see section 17 below.

E. Impairment:

Pursuant to directives and guidelines of the Supervisor of Banks, the Bank periodically evaluates whether impairment of the fair value of securities classified under the available-for-sale portfolio or the held-to-maturity portfolio, below their cost (or the amortized cost for bonds held to maturity), is of an other-than-temporary nature.

Note 1 – Reporting Principles and Accounting Policies – continued

To this end, the following indicators, inter alia, are evaluated:
- Intent and capacity of the Bank to hold the securities for a sufficient period which would allow the security to recover its original cost.
- The time period during which the value of the security was lower than its cost.
- The ratio of impairment to total cost.
- Adverse change in conditions of the issuer or of the economy as a whole.
- Evaluation of conditions reflecting the financial standing of the issuing entity, including whether or not the impairment is due to individual reasons related to the issuer or to existence of any macro-economic conditions.

Furthermore, in any of the following situations, the Bank recognizes other-than-temporary impairment:
- Bond sold prior to publication of the issue date to the public of the report for that period.
- Bond which, close to the issue date of the report to the public for that period, the Bank intends to sell within a short time.
- Bond is significantly impaired between the bond's rating on the date of acquisition by the Bank and its rating on the date of publication of the report for that period.
- Bond classified by the Bank as problematical after its acquisition.
- Bond which is in payment default after its acquisition.
- Bond whose fair value as of the end of the reported period and close to the issue date of the financial statements, was significantly lower than its amortized cost. Unless the Bank has solid objective evidence and careful analysis of all relevant factors, which prove with high certainty that impairment is of other than a temporary nature.

For this purpose, a significant rate is a rate higher than 20%. However, should the Bank have objective evidence that impairment is of a temporary nature, an exception may be made with regard to this rate.

If the impairment of fair value is deemed to be other-than-temporary in nature, the cost of the security is written down to its fair value, so that any loss amounts referring to securities classified as available for sale, accrued in equity under Other Comprehensive Income, would be classified upon impairment to the statement of profit and loss. This value would serve as the new cost basis. Appreciation in subsequent reported periods (for securities classified in the available-for-sale portfolio) are recognized to a separate section in equity under Cumulative Other Comprehensive Income, and are not recorded in profit and loss.

Securities – shares for which no fair value is available

In each reported period, the Bank conducts a qualitative assessment, taking into account impairment indications, in order to assess whether shares for which no fair value is available have been impaired. If this assessment shows impairment of the investment in shares, the Bank estimates the fair value of the investment in shares, to determine the amount of impairment loss.

7) Non-accruing debt, credit risk and provision for credit losses

Identification and classification of non-accruing debts

The Bank has specified procedures for identification of problematic credit and for classification of debt so as to distinguish between problematic debt, including non-accruing debt, and debt in good standing. According to these procedures, the Bank classifies all its problematic debt and off-balance sheet credit items under these classifications: special supervision, inferior or non-accruing. Debt classified as non-accruing debt, where based on current information and events it is expected that the Bank would not be able to collect all amounts due in conformity with contractual terms and conditions of the debt agreement.

For classification and treatment of problematic credit, the Bank distinguishes between the following:

A. Commercial credit with respect to debt with contractual balance over NIS 1 million

Decisions with regard to debt classification and the required provision are made based, *inter alia*, on the past-due status of the debt, assessment of the borrower's financial standing and repayment capacity, assessment of the primary debt repayment source, existence of collateral and its status, the financial standing of guarantors, if any and their commitment to support the debt and the borrower's capacity to obtain financing from third parties.

In any case, such commercial debt is classified as non-accruing debt when its principal or interest is in arrears for 90 days or longer, unless the debt is well secured and is in collection proceedings, or if the debt has undergone restructuring of problematic debt.

Note 1 – Reporting Principles and Accounting Policies – continued

As from the classification date as non-accruing debt, debt is treated as debt not accruing interest income (such debt is known as "non-accruing debt"). For more information about accounting write-off rules with respect to such debts, see section "Accounting write-off" later in this section.

B. Credit to individuals, residential mortgages and commercial credit with respect to debt with contractual balance below NIS 1 million

Decision on debt classification is based on the state of arrears of such debt. To this end, the Bank monitors the status of arrear days determined with reference to contractual repayment terms thereof, except for residential mortgages for which - according to the transition provisions - the Bank may continue accruing the arrears in accordance with the extent of arrears method.

Such debt, in arrears 90 days or longer, is classified as inferior debt when the Bank does not discontinue accrual of interest income, except for residential mortgages which are classified as debt not accruing interest income when principal or interest with respect thereto is in arrears 90 days or longer.

For more information about accounting write-off rules with respect to such debts, see section "Accounting write-off" later in this section.

Debt arrangement policies and accounting for changes in terms of debts of borrower in financial difficulties

For information regarding the revision of accounting policies implemented following the initial application of the new accounting rules on changes in terms of debts of borrowers in financial difficulties (instead of restructuring of problematic debts) see the section on “Initial application of accounting standards, accounting standard updates and directives of the Supervisor of Banks” above in this report.

Re-instatement of non-accruing debt to accruing debt status

Typically, non-accruing debt is re-instated to accruing debt status in either of these two cases:

1. It includes no principal or interest components which are past due, and the Bank anticipates payment of the outstanding principal and interest in full according to contractual terms (includes amounts subject to accounting write-off or provision).
2. When the debt has become well-secured and is in collection proceedings.

Moreover, regarding a debt of a borrower in financial difficulty whose terms and conditions were changed and was classified as non-accruing debt on the date of change in terms and conditions, the Bank may reinstate the debt in accruing status, provided that a current, well-documented credit analysis has been prepared which supports reinstatement of accruing status based on the debtor's financial standing and the repayment likelihood based on the current terms and conditions. Such assessment should be based on the debtor's continuous historical repayment performance for payments in cash and cash equivalents over as reasonable period of six months or longer, and the Bank may take into account payments made during a reasonable period prior to the change to the terms and conditions, if such payments are consistent with the modified terms and conditions. Otherwise, a debt of a borrower in financial difficulty whose terms and conditions were revised must be further classified as non-accruing debt.

Provision for credit losses – measurement

As from January 1, 2022, the Bank applies generally acceptable accounting practices by US banks with regard to measurement of credit losses from financial instruments, as set forth in topic 326 of the codification (ASC 326) "Financial instruments – credit losses".

As part of the application of this standard, the Bank has put in place procedures for classification of credit and for measurement of provision for credit losses, in order to recognize an appropriate provision to cover expected credit losses with regard to the Bank's loan portfolio. Further, the Bank has put in place procedures to be followed for the measurement of an appropriate provision to cover expected credit losses with regard to bonds held to maturity and the portfolio of bonds available for sale and certain off-balance sheet credit exposures.

The estimated provision for expected credit losses is calculated over the contractual term of the financial asset, taking into account estimated early repayment.

In developing the estimated expected credit losses, the Bank accounted for the effects of past events, current terms and conditions and reasonable forecasts which can be founded about collectability of the financial assets.

Note 1 – Reporting Principles and Accounting Policies – continued

In general, calculation of the provision for expected credit losses is estimated on group basis when assets have similar risk attributes. These attributes include the following:

(1) Credit score or rating, either internal or external; (2) risk rating or risk classification; (3) type of financial asset; (4) type of collateral; (5) size; (6) borrower's operating sector.

For each group of financial assets with similar risk attributes, the Bank calculates the provision for expected credit losses using one of the methods for measurement of such provision as allowed by the standard, which the Bank expects should result in the best estimate of provisions for credit losses.

In order to estimate expected credit losses over the contractual terms of the assets, the Bank relies on historical information, reviewing the need to adjust such historical information to reflect the extent to which current conditions and reasonable forecasts which can be founded differ from those in the period when the historical information was assessed.

When the reasonable period that may be established, as determined by the Bank, is shorter than the duration of the financial asset, the Bank resumes use of historical information not adjusted for current economic conditions nor for expectations of future economic conditions, such as: change in unemployment rate, asset values, commodity values, arrears and so forth. The return to information about historical losses may be in one of the following methods: (1) Immediate return; (2) return on straight line basis; (3) use of another logical and methodical basis.

Provision for credit losses – consumer loans (non-residential mortgages)

For the consumer loan portfolio, which includes loans to individuals, other than residential mortgages, the Bank measures the provision for expected credit losses using a model which calculates the probability of default (PD) and the loss given default (LGD) ("the PD/LGD Method"), by dividing the loan portfolio into segments with similar risk attributes, such as internal customer rating, type of financial asset, type of collateral and so forth.

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the consumer loan portfolio and the relatively short average duration in this portfolio, return to historical default rates is immediate after one year.

Provision for credit losses – residential mortgages

For the residential mortgage portfolio, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as internal customer rating, type of financial asset, term to maturity, loan age and so forth.

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the residential mortgages portfolio and because the Bank does not generate forecasts for periods longer than one year, return to historical default rates is gradual over half of the average duration in the residential mortgage portfolio – 4 years.

Provision for credit losses – retail business loans

For the retail business loan portfolio, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as internal customer rating, type of financial asset, borrower's operating sector, type of collateral and so forth.

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the retail business loan portfolio and the relatively short average duration in this portfolio, return to historical default rates is immediate after one year.

Note 1 – Reporting Principles and Accounting Policies – continued

Provision for credit losses – business loans

For the business loan portfolio, the Bank measures the provision for expected credit losses by dividing the loan portfolio into segments with similar risk attributes, such as internal customer rating, type of financial asset, borrower's operating sector, type of collateral and so forth. The provision is determined by a method which calculates the average historical loss rates for each segment (WARM method).

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the business loan portfolio and the relatively short average duration in this portfolio, return to historical default rates is immediate after one year.

Provision for credit losses – large-scale loans with unique risk attributes

For loans extended for project financing and loans extended for financing of means of control (where loans are in excess of 0.5% of Bank equity), the Bank measures the provision for expected credit losses based on the PD/LGD method, with the calculation based on rating information from global rating agencies (Moody's / S&P).

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. Similar to the business credit segment, return to historical default rates is immediate after one year.

Provision for credit losses – loans to governments and banks

For loans to governments and banks, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as internal and external rating, type of financial asset and so forth.

The Bank has also set criteria and factors to be taken into account in order to determine that for some exposures to governments, the expected credit losses are near zero.

Provision for credit losses – off-balance sheet exposures

Off-balance sheet exposures include credit exposures with respect to commitment to extend credit, letters of credit, financial guarantees not treated as insurance and other similar instruments.

The provision for credit losses with respect to off-balance sheet exposures is assessed in conformity with rules set forth in Topic 326 of the codification, based on the provision rates determined for on-balance sheet credit (as described above), taking into account the expected credit realization rate upon default, based on past experience.

The Bank does not calculate an estimated provision for expected credit losses with respect to off-balance sheet commitment to extend credit which may be unconditionally terminated by the Bank.

Provision for credit losses – securities in portfolio held to maturity

For securities in the portfolio held to maturity, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as issuer type, duration, interest rate, payment frequency and so forth.

The Bank does not measure expected credit losses with respect to certain government bonds, because the information about historical credit losses, adjusted for current conditions and for reasonable forecasts that may be founded, results in expectation that non-payment of the amortized cost basis is zero.

Note 1 – Reporting Principles and Accounting Policies – continued

Provision for credit losses – bonds available for sale

The Bank estimates the expected credit losses with respect to bonds available for sale upon each reporting date, when the fair value is lower than the amortized cost.

Whenever the fair value is lower than the amortized cost, the Bank reviews whether the impairment of fair value is due to credit losses or to other factors. Impairment resulting from credit losses is recognized by way of a provision for credit losses, and impairment not recognized by way of a provision for credit losses is recognized under Other Comprehensive Income, net of tax.

In conformity with provisions of Topic 326 of the codification, the Bank calculates the provision for expected credit losses for securities available for sale individually, using the discounted cash flow method, used by the Bank to compare the present value of expected future cash flows, determined based on past events, current conditions and reasonable forecasts that can be founded (such as: sector, geographic, economic and political factors relevant for collectability of the bond), to the amortized cost basis of the securities. Such provision is recognized against an expense with respect to credit loss, to reflect the credit loss component of impairment of the fair value to below the amortized cost. The provision for credit losses with respect to bonds available for sale is capped and may not exceed the difference between the amortized cost and the (lower) fair value, known as "fair value floor".

If the fair value of the securities increases over time, any provision for credit losses which has not been written off is reversed by reducing the expense with respect to credit losses.

Provision for credit losses – net lease investments

For the balance of net lease investments recognized by a lessor in conformity with Topic 842 of the codification regarding leases. The impact of application of this standard is insignificant.

Provision for credit losses – loans evaluated on individual basis

For commercial loans with contractual balance over NIS 1 million, classified as non-accruing, for which specific issues have been identified unlike attributes of other debts, the Bank applies the discounted cash flow method, calculated for each and every debt to determine the provision for credit losses on individual basis.

Reviews of overall appropriateness of the provision

Further, the Bank reviews the overall appropriateness of the provision for credit losses. Such assessment of appropriateness is based on Management discretion, taking into account the inherent risk in the loan portfolio and weaknesses and restrictions of assessment methods applied by the Bank to determine the provision.

Accounting write-off

The Bank makes accounting write-offs of any debt, or part thereof, considered to be uncollectible and of low value, so that maintaining it as an asset is not justified, or any debt which is subject to long-term collection efforts by the Bank (typically defined as terms in excess of two years).

For debt secured by collateral, the Bank immediately conducts an accounting write-off against the balance of provision for credit losses, for the portion of recorded debt balance in excess of fair value of the collateral.

For commercial loans with respect to debt with contractual balance (without deduction of any write-offs not subject to legal waiver, unrecognized interest, provisions for credit losses and collateral) lower than NIS 1 million, and loans to individuals, other than residential mortgages, the Bank conducts an accounting write-off when such debt is in arrears 150 days or longer. Note, in this regard, that for debt secured by collateral other than a residential apartment, and seizure of the collateral has started and is certain, the Bank only conducts an accounting write-off of the excess recorded debt balance over the collateral value (net of selling costs).

For residential mortgages secured by a residential property, the Bank conducts a current assessment of collateral value, no later than the date when the debt is in arrears 180 days or longer, and conducts an accounting write-off of the excess recorded debt balance over the collateral value (net of selling costs).

Note that accounting write-offs do not involve a legal waiver, and only reduce the reported debt balance for accounting purposes, by creating a new cost basis for the debt on Bank books.

Note 1 – Reporting Principles and Accounting Policies – continued

Disclosure requirements

The Bank applies disclosure requirements for creditworthiness of debt and for provision for credit losses, as stipulated in codification section 310-10 "Debts" and in conformity with disclosure requirements in codification section 326-20 "Financial instruments – credit losses – instruments measured at amortized cost", on a consolidated basis.

See also Note 13 regarding "Credit risk, loans to the public and provision for credit losses" and Note 30 regarding "Additional information about credit risk, loans to the public and provision for credit losses".

8) Transfer and service of financial assets and discharge of liabilities

The Bank applies the measurement and disclosure rules stated in sub-topic 860-10 of the codification, with regard to transfer and service of financial assets, for handling the transfer of financial assets and discharging of liabilities.

Under these rules, the accounting treatment of transfer of a financial asset would only be deemed a sale if all of these conditions are fulfilled: (1) the transferred financial asset was separated from the transferring entity, even in case of bankruptcy or other Receivership; (2) any recipient may pledge or replace the assets (or the beneficiary interests) received, and there is no condition which limits the recipient from exercising their right to pledge or exchange the financial assets, and grants the transferor a non-trivial benefit; (3) the transferor, or subsidiaries consolidated with its financial statements, or their agents do not retain effective control over the financial assets or beneficiary interests related to these transferred assets.

In transactions involving transfer of financial assets, if it is determined that the transferor maintains effective control over transferred assets, the asset transfer shall be accounted for as secured debt. When all of the following conditions are satisfied, *inter alia*, effective control over the asset is maintained:

- The assets repurchased or redeemed are identical or essentially identical to the transferred assets.
- The agreement is to repurchase or redeem them prior to maturity, at a fixed or determinable price.
- The agreement is made simultaneously with the transfer.

Moreover, for the transfer of part of a financial asset to be considered a sale, the transferred part must fulfill the definition of participatory rights. Participatory rights must fulfill the following criteria: the interest should represent an interest proportional to the complete financial asset; all cash flows received from the assets are divided among participatory interest pro-rata to their ownership stake; interests are not subordinated to other interests; there is no recourse to the transferor or to other holders of participatory interests (other than in case of breach of presentations or obligations, current contractual obligations to service the financial asset as a whole and management of the transfer contract, and contractual obligations to share in offset of any benefits received by any holder of participatory interests); and the transferor and the holder of participatory interests have no right to pledge or replace the financial asset in whole, unless all holders of participatory interests agree to pledge or replace the financial asset in whole.

If the transaction fulfills the conditions for treating it as a sale, the transferred financial assets are removed from the Bank's balance sheet. If the sale conditions are not fulfilled, the transfer is considered as secured debt. Sale of part of a financial asset, other than a participatory right, is treated as secured debt – that is, the transferred assets remain on the Bank's balance sheet and proceeds from the sale are recognized as a Bank liability.

The Bank only removes a liability if it has been settled, i.e. if one of the following conditions has been fulfilled: (a) the Bank has paid the lender and has been released from its commitment for said liability; or (b) the Bank was legally released in a judicial process or by consent of the lender, being the major debtor for said liability.

For details of syndication transactions, see Note 30 to the financial statements.

Transactions for loaning securities managed as credit transactions

The Bank applies specific provisions specified in Public Reporting Directives for handling transactions to borrow or loan securities, in which lending is made against the borrower's general credit and collateral quality, where the borrower does not provide as collateral for the loaner liquid instruments specifically related to the securities loaning transaction, which the loaner may sell or pledge.

Handling un-secured loaning of securities from the available-for-sale portfolio or from the trading portfolio.

When the Bank loans securities to cover short selling by the borrower, the Bank de-recognizes the loaned securities and recognizes credit equal to the market value of these securities on the loaning date. In subsequent periods, the Bank measures the credit extended in the same way it measured the securities prior to loaning.

Note 1 – Reporting Principles and Accounting Policies – continued

Credit is measured at market value, revenues on the accrual basis are recognized as interest income from credit and changes to market value (in excess of changes on the accrual basis) are recognized under Non-interest Financing Revenues in case of securities in the held-for-trade portfolio or under Other Comprehensive Income in case of bonds available for sale. Upon concluding the loaning, the Bank recognizes once again the securities and de-recognizes the credit.

9) Buildings, equipment and software

This item includes investments by the Bank in fixed assets (including payments on account) and cost of software for its own use, recognized as an asset.

Buildings and equipment

Recognition and Measurement

Fixed asset items are measured at cost net of accumulated depreciation and accumulated impairment loss, if any. Cost includes any cost directly attributable to acquisition of the asset. Cost of self-constructed assets includes the cost of materials and direct labor, as well as any additional cost directly attributable to bringing the asset to the required location and state so as to operate as intended by management.

When significant portions of fixed asset items have a different useful life, they are treated as separate fixed asset items.

The cost of purchased software, which is an integral part of operation of related equipment, is recognized as part of the cost of such equipment. Furthermore, in conformity with Public Reporting Directives, the Bank classifies under "Buildings and equipment" the cost of software assets acquired, or costs capitalized to an asset with respect to self-developed software for in-house use. For more information about the accounting treatment of the cost of software for in-house use, see below.

Gain or loss from disposition of fixed asset items is determined by comparing the proceeds from asset disposition to its book value and are recognized, net, under "Other revenues" in the statement of profit and loss.

Transactions whereby the Bank sells a property and leases it back under an operating lease are treated as accounting sale transactions, and the full profit with respect thereto is recognized, subject to fulfillment of conditions for recognizing the sale.

Subsequent costs

Current maintenance costs of fixed asset items are charged to profit and loss when incurred.

Depreciation

Depreciation is methodical allocation of the depreciable amount of an asset over its useful life. A depreciable amount is the asset cost, or another amount which is a substitute for such cost, less the residual value of the asset.

Depreciation is charged to the statement of profit and loss using the straight-line method over the estimated useful life of each part of the fixed asset items – since this method best reflects the anticipated consumption pattern of future economic benefits inherent in the asset. Leasehold improvements are depreciated over the lease term or the length of useful life, whichever is shorter. Owned land is not depreciated.

An asset is depreciated when available for use, i.e. when it has reached the location and state required for it to be put into operation as intended by management.

In view of the merger process of Union Bank with the Bank, we reviewed the estimates with regard to useful life of fixed asset items at Union Bank, and adjustments were made to these estimates accordingly.

For more information about estimated useful life of buildings and equipment, as of December 31, 2024, see Note 16 to the financial statements.

Impairment

The Bank reviews non-current assets (or asset groups) for impairment when events or changes in circumstances occur, indicating that the depreciated cost may not be recoverable.

For the purpose of impairment evaluation and measurement, the Bank groups an asset (or asset group) together with other assets and liabilities at the lowest level that generates cash flows, which is independent of cash flows for other groups of assets and liabilities. Impairment loss recognized is only charged to an asset (or asset group) within the scope of Section 360 of the Codification.

Impairment loss is only recognized if the carrying amounts of a non-current asset (asset group) is not recoverable and exceeds its fair value. The book value is not recoverable if it exceeds total non-capitalized cash flows expected from use of the non-current asset (asset group) and its realization.

Note 1 – Reporting Principles and Accounting Policies – continued

Impairment loss is equal to the difference between the book value of the non-current asset (asset group) and its fair value, and is charged to the statement of profit and loss.

When impairment loss is recognized, the adjusted book value of the non-current asset (asset group) becomes the new cost basis. These losses are not canceled in subsequent periods, even in case of appreciation.

Software

Recognition

The Bank applies US GAAP, including the presentation, measurement and disclosure rules specified in provisions of ASC 350 "Intangible assets – Goodwill" and others. The Bank also applies the Bank of Israel directive concerning capitalization of in-house software development costs, as follows:

- Setting of a materiality threshold for capitalization of each software development project; The materiality threshold specified by the Bank is NIS 450 thousand.
- Revision of the useful life of capitalized software costs, so as not to exceed 5 years.
- With respect to software development projects for which the total cost which may be capitalized is higher than the specified materiality threshold, capitalization factors would be specified for work hours – factors which would take into account the potential for deviation in recording work hours and for economic inefficiency.

In conformity with Public Reporting Directives, the Bank classifies under "Buildings and equipment" the cost of software assets acquired, or costs capitalized to an asset with respect to self-developed software for in-house use.

Software acquired by the Group is measured at cost, net of accumulated amortization and impairment loss.

Cost associated with software development or adaptation for in-house use are capitalized only if the development cost may be reliably measured, the software is technically and commercially feasible, future economic benefits are expected and the Bank has the intention and sufficient resources to complete development and to use the software. Cost recognized as an intangible asset with respect to development activities includes direct costs of materials, services and direct payroll cost with respect to employees. Other costs associated with development activities and research costs are charged to the statement of profit and loss when incurred.

In subsequent periods, capitalized development costs are measured at cost net of accumulated amortization and impairment loss.

Subsequent costs

Cost of upgrades and improvements to software for own use are only capitalized if the expenses incurred are expected to result in additional functionality. Other subsequent costs are recognized as an expense when incurred.

Amortization

Depreciation is methodical allocation of the depreciable amount of an asset over its useful life. A depreciable amount is the asset cost, or another amount which is a substitute for such cost, less the residual value of the asset.

Intangible assets generated from a software project are amortized to the statement of profit and loss using the straight-line method over the useful life of the software but not to exceed 5 years, as from the date on which the software is ready for its designated use. In this regard, the software is ready for its designated use when all material testing has been completed.

Impairment of cost of in-house development of computer software

Impairment of such intangible assets is recognized and measured upon occurrence of any event or change in circumstances that indicate that it is possible that the book value of the asset may not be recovered.

Events or changes in circumstances which may indicate impairment are:

- It is not expected that the software would provide significant potential service;
- A significant change has occurred in the manner or scope of use or expected use of the software;
- A material modification to the software has been made or will be made in the future;
- The costs of development or adaptation of software designated for in-house use significantly exceed the amount anticipated in advance.

When it is no longer expected that software development would be completed, the Bank adjusts the book value of the software to be the lower of its book value and fair value net of selling costs.

Note 1 – Reporting Principles and Accounting Policies – continued

10) Intangible assets and goodwill

The Bank applies US GAAP with regard to intangible assets including the presentation, measurement and disclosure rules specified in provisions of ASC 350 "Intangible assets – Goodwill and other".

Intangible assets of un-specified useful life are amortized to the statement of profit and loss using the straight-line method over the useful life of the intangible assets, as from the date on which these assets are available for use.

Intangible assets with unspecified useful life are evaluated if there are indicators of impairment at the Asset Group level. An asset group is the smallest group of assets and liabilities which generates a separate cash flow. First is an evaluation of whether the book value of the asset group is higher than the non-discounted cash flow amount expected to result from it. If so, impairment is to be recognized equal to the difference between the book value and the fair value of the asset group. Impairment is to be proportionately attributed solely to assets in the asset group, provided that the value of any individual asset does not drop below its fair value.

Assets of unspecified useful life are reviewed for impairment at least once per year. They should be evaluated as to whether the book value of the asset exceeds its fair value. If so, impairment is to be recognized, to the extent to the difference between the book value and the fair value.

Goodwill is not systematically amortized.

Development costs of acquired software or costs capitalized to an asset with respect to software developed in-house for in-house use, are classified under "Buildings and equipment".

11) Leases

Contracts that confer on the Bank control over use of an asset in conjunction with a lease for a certain duration in exchange for consideration, are accounted for as leases. Upon initial recognition, a liability is recognized equal to the present value of future rent payments during the lease term (these payments exclude variable lease payments) and concurrently, a right-to-use asset is recognized equal to the amount of the liability with respect to the lease, adjusted for lease payments made in advance or accrued and net of lease incentives, plus direct costs incurred with respect to the lease.

The lease term is the period for which the lease may not be terminated, along with periods subject to an option to extend or terminate the lease, if it is reasonably certain that the lessee would or would not exercise such option, respectively, and along with periods subject to an option to extend or terminate the lease where the lessor has control over the right to exercise such option.

The Bank has elected to apply the practical relief whereby short-term leases, for terms of up to one year, are accounted for by recognizing the lease fees to profit and loss using the straight-line method over the lease term, without recognizing a right-to-use asset and/or liability with respect to the lease on the statement of financial position.

Subsequent measurement

After initial recognition, liabilities with respect to leases (whether an operational lease or a financial lease) are measured at amortized cost using the effective interest method. Moreover, the Bank reviews a right-to-use asset (with respect to operational or financial lease) for impairment in conformity with provisions of sub-topic 360-10-35 of the codification with regard to impairment with respect to fixed assets.

Lease payments

Operational lease

Lease payments, other than variable leasing fees, are charged to profit and loss using the straight-line method over the lease term. Lease incentives received are recognized as an integral part of all lease expenses using the straight-line method over the lease term. Variable lease payments which depend on an index or on interest are recognized on the statement of profit and loss in the period when varied. Variable lease payments which do not depend on an index or on interest are recognized on the statement of profit and loss in the period when it is expected that the specific objective resulting in variance of the lease payments would be achieved, and are reversed in the period when that specific objective is no longer expected to be achieved.

Note 1 – Reporting Principles and Accounting Policies – continued

Upon each subsequent reporting date, a right-to-use asset is recognized equal to the depreciated cost of the liability with respect to the lease, adjusted for lease payments made in advance or accrued and net of lease incentives, plus direct costs yet to be amortized and net of impairment loss accumulated with respect to the right-to-use asset.

Financing lease

After the lease start date, the right-to-use asset is measured at cost net of accumulated depreciation and net of any accumulated impairment loss, and is adjusted for re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the useful life or over the contractual lease term.

12) Contingent liabilities

The financial statements include appropriate provisions with respect to claims to cover possible damages, where, in the opinion of the Bank's Management, based on the opinion of its legal counsel, a provision is required.

In accordance with the guidelines of the Supervisor of Banks, claims have been classified according to the range of probability of realization of the risk exposure, as follows:

A. Probable risk: there is a probability of more than 70% of a loss from the claim. For claims whose probability of realization has been classified as Probable, an appropriate provision was made in the financial statements.
B. Reasonably Possible risk: there is a probability of between 20% and 70% that a loss will be sustained from the claim. For claims whose probability of realization has been classified as Reasonably Possible, an appropriate provision is made in specific instances on the financial statements, at the discretion of Bank management and based on the opinion of legal counsel.
C. Remote risk: there is a probability of less than 20% of a loss from the claim. For claims whose probability of realization has been classified as Remote, no provision was made in the financial statements.

See Note 26.C.9 for disclosure of material claims (whose amount, excluding interest and expenses, is over 1% of shareholders' equity attributable to shareholders of the Bank.

Likewise, Note 26.C.10 provides disclosure of motions for recognition as class actions, when the amount claimed in them is material which, in the opinion of the Bank's Management, based, according to the case, on the opinion legal counsel, the subsidiaries' managements and on the opinion of their legal counsel, it is not possible at this stage to estimate their possible outcome, and therefore, no provision was recorded for them.

In accordance with the directives of the Supervisor of Banks, the Bank is permitted to determine for class actions that it is not possible to estimate the prospects for realization of the exposure to risk in the four financial statements published since the claim was filed, or in case of delay of proceedings by decision of the Court. Beyond this, only in rare cases is the Bank permitted to determine that the prospects for realizing the exposure cannot be determined.

13) Employees' rights

The Bank applies the Supervisor of Bank's directives with regard to adoption of US GAAP concerning employees' rights. These principles were codified in the following codification sections (hereinafter: "the directives"):

- ASC 710 – Compensation – General.
- ASC 712 – Compensation – Nonretirement post-employment benefits.
- ASC 715 – Compensation – Retirement benefits.
- ASC 718 – Compensation – Stock Compensation.
- ASC 420 – Exit or Disposal Cost Obligations.

According to the directives, banking corporations should classify employees' benefits according to groups listed in US GAAP, including setting of clear policies and procedures as to how different types of benefits may be distinguished. Employees' benefits fall into the following categories:

- Benefits prior to termination.
- Benefits post termination and prior to retirement.
- Post-retirement benefits.

Furthermore, the principle set by the Supervisor of Banks whereby a liability should be included with respect to a material obligation – should be maintained. It is expected that cases where the Bank expects payment of benefits beyond contractual terms, would match these to situations where a material obligation exists.

Note 1 – Reporting Principles and Accounting Policies – continued

According to the Supervisor of Banks' directives, the discount rate for employee benefits is calculated based on yields of government bonds in Israel plus the average spread for corporate bonds rated AA (international rating scale) or higher as of the reporting date. For practical reasons, the spread would be determined by the difference between yields to maturity, by terms to maturity, for corporate bonds rated AA or higher in the USA – and yields to maturity, for the same terms to maturity, for US government bonds, all as of the reporting date.

Below are details of benefit groups at the Bank:

Post-retirement benefits – pension, severance pay and other benefits – defined-benefit programs

The Bank recognizes amounts with regard to pension programs and other post-retirement programs based on calculations which include actuarial and other assumptions, including: discount rates, mortality rates, increase in remuneration and turnover.

The Bank regularly examines the need to update actuarial assumptions used in the model.

Changes to assumptions are generally recognized, subject to provisions listed below, first in Cumulative Other Comprehensive Income and are amortized to Profit and Loss in subsequent periods, in conformity with the remaining average terms of service for employees expected to receive benefits.

The liability is accrued over the relevant period, determined in conformity with rules listed in Section 715 of the codification.

The Bank applies the Supervisor of Banks' guidelines with regard to internal controls over the financial reporting process with regard to employees' rights, including with regard to review of a "commitment in substance" to award benefits to Bank employees with respect to increased severance pay and/or early retirement.

Other long-term benefits to active employees:

- The liability is accrued over the period of eligibility for this benefit.
- In calculating the liability, the Bank accounts for discount rates and for actuarial assumptions.
- All components of the benefit cost for the period, including actuarial gains and losses, are recorded to Profit and Loss.

Absence eligible for compensation – paid leave and sick leave:

The liability with respect to paid leave is measured on a current basis, without use of discount rates and actuarial assumptions.

The Bank does not accrue a liability with respect to sick leave utilized during current service.

For more information about employees' benefits, see Note 22 to the financial statements.

Accounting treatment of actuarial gains / losses recognized under Other Comprehensive Income:

Actuarial gains / losses are amortized using the straight-line method over the remaining average terms of service for employees expected to receive benefits over the plan term.

14) Share-based payment transactions (employee stock options)

The Bank applies provisions of ASC 718 "Share-based payment transactions" with regard to options granted to employees. In conformity with these provisions, the Bank recognizes payroll expenses due to the granted options. Expenses are recognized based on fair value of the options on the grant date, concurrently with an increase in capital over the term of service for which the options are granted.

When determining the fair value of options upon the grant date, vesting restrictions due to market conditions (such as vesting contingent on share price) are taken into account. Other qualitative restrictions which do not concern market conditions (such as: discretionary component of benefit grant) have no impact on determining fair value upon the grant date and are reflected in current expensing of the benefit granted. As allowed by the standard, the Bank treats each granted lot as a separate grant.

As for a grant in the ordinary income track, tax authorities in Israel allow an expense to be recognized upon option exercise, so that a tax benefit is expected and deferred taxes should be recognized. According to provisions of the standard, the tax benefit would be recognized based on the cumulative expense amount in the accounts, multiplied by the tax rate. Upon exercise of the options, when the allowed expense for income tax exceeds the expense recognized in the accounts, the difference, multiplied by the tax rate, would be recorded to profit and loss. As for the capital track, the Taxes Authority does not recognize expenses upon option exercise.

Note 1 – Reporting Principles and Accounting Policies – continued

15) Guarantees

Guarantees are contracts which require the guarantor, on contingent basis, to make payments to the guaranteed party upon occurrence of conditions requiring the guarantee to be exercised. The guarantee obligation is measured upon initial recognition at the higher of the fair value or the amount of expected loss provisions with respect to them. The obligation is de-recognized when the Bank no longer bears the risk.

16) Derivative instruments and hedging activities

A. The Bank performs transactions in derivative instruments, including currency and interest contracts and credit derivative contracts. The currency contracts include forwards, futures, swaps and options. These trades are executed in all linkage sectors. The trades are executed with the public and with banks in Israel and overseas, as part of the Bank's day-to-day activities as a market maker, and as part of the overall strategy of managing the expedient level of exposure for the various market risks, including basis and interest risks – risks to which the Bank is exposed in its everyday activities.

B. Derivative instruments are stated at fair value on the Bank balance sheet, under Assets or Liabilities, as the case may be. Changes to fair value of derivative instruments, other than derivatives used as cash flow hedges, are recognized in the Statement of Profit and Loss.

C. It is possible that the Bank will enter into a contract, which by itself is not a derivative instrument, but contains an embedded derivative. When an embedded derivative has economic characteristics that are not clearly and closely tied to the economic characteristics of the host contract, and a separate instrument with the same conditions as the embedded derivative would qualify as a derivative, then the embedded derivative is detached from the host contract and is treated as a hedge by itself.

A detached embedded derivative is stated in the balance sheet together with the host contract. Changes in fair value of detached embedded derivatives are immediately charged to profit and Loss.

D. In certain cases, in which the embedded derivative must be detached from the host contract, the Bank adopts policies of measuring the entire contract according to its fair value, and records the changes in its fair value in the statement of profit and loss. These policies was adopted for structured securities in the available-for-sale portfolio.

Hedge accounting

The Bank is exposed to market risks due to its business operations. As part of the Bank's overall strategy for management of exposure to such risks, the Bank designates certain financial instruments as fair value hedges and as cash flow hedges.

Upon the hedge relationship start date, the Bank formally documents the hedge relationship and the objective of its risks management and strategy for executing this hedge. Documentation includes identification of each of the following: Hedging instrument; hedged item or transaction; nature of hedged risk; method to be applied by the Bank to assess the effectiveness of hedge relationship, offsetting exposure to changes in fair value of the hedged item (for fair value hedge), or offsetting exposure to changes in cash flows with respect to the hedged transaction (for cash flow hedge), attributable to the hedged risk.

Fair value hedge

The Bank designates derivative instruments as hedges for exposure to changes in fair value of an asset or liability, or an identified part of them, which is attributable to a specific risk.

When a derivative instrument is used as a hedging instrument for fair value hedge, the changes to fair value included in assessment of the hedge effectiveness are currently recognized in the statement of profit and loss, presented under the same item as effects of the hedged item. Gain or loss (i.e. change in fair value) with respect to the hedged item attributable to the hedged risk is accounted for as adjustment to the book value of the hedged item and is currently recognized in the statement of profit and loss. The adjustment to book value amount of the hedged item shall be accounted for similarly to other components of the its book value.

The preliminary value of components excluded from assessment of hedge effectiveness is recognized in the statement of profit and loss, methodically and rationally over the term of the hedging instrument, with the difference between changes to fair value of components excluded from assessment of hedge effectiveness and amounts methodically and rationally recognized in the statement of profit and loss, recognized under Other Comprehensive Income.

The Bank discontinues hedge accounting when: The criteria for applying hedge accounting cease to exist; the derivative expires, is sold, canceled or realized, or when the Bank discontinues the designation of hedge relationships.

Note 1 – Reporting Principles and Accounting Policies – continued

Amounts in Other Comprehensive Income (AOCI) related to amounts excluded from assessment of hedge effectiveness are recognized in the statement of profit and loss in the period when the hedged item was de-recognized from the accounts. For all other discontinued fair value hedges, Amounts in Other Comprehensive Income (AOCI) related to amounts excluded from assessment of hedge effectiveness are recognized in the statement of profit and loss similarly to other components included in the book value of the hedged asset or liability.

Cash flows hedges

The Bank designates derivative instruments as hedges for exposure to changes in expected future cash flows attributable to a specific risk.

When a derivative instrument is used as a hedging instrument for a cash flow hedge, changes to fair value included in assessment of the hedge effectiveness are regularly recognized in Other Comprehensive Income. These amounts are reclassified to the statement of profit and loss in the period(s) in which the hedged anticipated transaction impacts earnings, and are presented under the same item as effects of the hedged item.

The Bank has elected to regularly recognize changes to fair value of components excluded from assessment of hedge effectiveness in profit and loss, under the same item as effects of the hedged item.

The Bank discontinues hedge accounting when: The criteria for applying hedge accounting cease to exist; the derivative expires, is sold, canceled or realized, or when the Bank discontinues the designation of hedge relationships.

Net gain or loss with respect to the hedging instrument, related to a discontinued cash flow hedge, continue to be reported under cumulative Other Comprehensive Income (AOCI), unless it is probable that the anticipated transaction would not take place by the end of the original term determined (as documented at the start of the hedging relationship), or within two months thereafter.

If the anticipated hedged transaction is not expected to take place, whether by the end of the original term determined or within two months thereafter, net gain or loss with respect to the hedging instrument reported in cumulative Other Comprehensive Income is immediately reclassified to the statement of profit and loss.

Economic hedge

Hedge accounting is not applied for derivative instruments used as part of the Bank's asset and liability management (ALM). Changes to fair value of such derivatives are recognized in profit and loss when created.

17) Fair value

A. Fair value is defined as the price which would have been obtained upon sale of an asset, or the price which would have been paid upon transfer of a liability, in a regular transaction between market participants on the measurement date. The standard requires, *inter alia*, for assessment of fair value, that maximum use be made of observed data and minimum use be made of non-observed data. Observed data reflects information available in the market, obtained from independent sources whereas non-observed data reflects assumptions by the Bank. Sub-topic 820-10 of the codification lists a hierarchy of measurement techniques, based on the source of data used to determine fair value. These data sources result in the following fair value ranking:

Level 1 – fair value measured using prices quoted for identical instruments on an active market accessible by the Bank upon the measurement date.

Level 2 – fair value measured using observed data, either direct or indirect, which are not quoted prices as stipulated under Level 1. Level 2 data include use of quoted market data in active markets, or in non-active markets, if they exist, or data derived from or based upon such observed market data.

Level 3 – fair value measured by using non-observed data.

The standard stipulates that the Bank should reflect credit risk and non-performance risk in measuring the fair value of debt, including derivative instruments that it issued and are measured at fair value. Non-performance risk includes the Bank's credit risk, but is not limited to this risk alone.

Note 1 – Reporting Principles and Accounting Policies – continued

The Bank assesses credit risk for derivative instruments as follows:

- When there is sufficient liquid collateral with respect to the exposure, which specifically secures the derivative instrument at a high legal level of certainty, the Bank assumes that credit risk is zero, and does not adjust the fair value with respect to credit quality of the counter-party.
- In other cases, the Bank estimates the fair value based on indications from transactions in an active market of the credit quality of the counter party, if such indications are available with reasonable effort. The Bank derives these indications, inter alia, from prices of debt instruments of the counter-party traded on an active market, and from prices of credit derivatives based on the credit quality of the counter-party. In the absence of such indications, the Bank calculates the adjustments based on internal ratings.

When the counter-party exposure, on a consolidated basis, is not material, the Bank calculates the aforementioned adjustment on a group basis, using a benchmark for credit quality by groups of similar counter-parties, e.g. based on internal ratings.

Further, the Bank conducts reasonability testing of results obtained from internal assessment with regard to changes in market spreads, and makes the required adjustments, if any.

In order to adapt the Bank's valuation methods to the exit price principle and to guidelines stated in the standard, the Bank is required to review the valuation methods applied for measuring fair value, taking into consideration the relevant circumstances of the various transactions, including recent transaction prices on the market, indicative prices from valuation services and results of back testing of similar transaction types.

In accordance with Bank of Israel directives, fair value measurement of a derivative instrument, when no quoted prices, liquid collateral or offset agreements exist which adequately secure the derivative's credit quality, and when no market information exists as to the credit quality of the counter-party (such as CDS or negotiable bonds of the counter-party) – shall be classified as a Level 3 fair value measurement.

How fair value is determined:

1) Securities

Fair value of securities held for trading, bonds available for sale and shares not held for trading is determined based on quoted market prices on the major market. When there are multiple markets on which the security is traded, the estimate is based on the quoted market price on the most effective market. In such cases, the fair value of the Bank's investment in securities is the product of the number of units at the aforementioned quoted market price. The quoted price used to determine fair value is not adjusted for the size of the Bank's position relative to the trading volume (holding size factor).

If such quoted market price is not available, the fair value estimate is based on the best available information, with maximum use of observed data and taking into account the risk inherent in the financial instrument (market risk, credit risk, non-negotiability etc.), except for shares not held for trading for which no fair value is available, which are measured as stated in section 6.A.4. above.

2) Financial derivatives

Financial derivative instruments with an active market are valued based on market value, determined on the primary market, or in the absence of a primary market – using a quoted market price on the most effective market. Derivative financial instruments not traded on an active market are valued using models which take into account the risk inherent in the derivative instrument (market risk, credit risk etc.)

3) Financial instruments other than derivatives

Most of the financial instruments in this category (such as: loans to the public and loans to the Government, deposits from the public and deposits with banks, non-negotiable subordinated notes and bonds) no "market price" is quotable, since there is no active market on which they are traded. Therefore, the fair value is estimated using acceptable pricing models, such as present value of future cash flows, discounted at an interest rate that reflects the level of risk inherent in the financial instrument. To this end, the future cash flows for non-accruing and other debts have been calculated net of effects of accounting write-offs and provision for credit losses with respect to the debts.

For more information about principal methods and assumptions used in estimating fair value, see Note 33 to the financial statements.

Note 1 – Reporting Principles and Accounting Policies – continued

B. Fair value option

Sub-topic 825-10 of the codification allows banking corporations to elect, upon specified election dates, to measure at fair value financial instruments and certain other items ("qualified items") which, according to Public Reporting Directives, are not required to be measured at fair value. Unrealized gains and losses due to changes in fair value of items for which the fair value option has been selected, are recognized in the statement of profit and loss at each subsequent reporting date. Furthermore, prepaid costs and commissions related to items for which the fair value option has been elected, are recognized in the statement of profit and loss as they are incurred. Election of the fair value option, as stated above, is made for each instrument individually, and may not be canceled.

Further, the standard stipulates presentation and disclosure requirements designed to assist in comparing banking corporations which elect different measurement bases for similar types of assets and liabilities.

Notwithstanding the foregoing, the Supervisor of Banks' directives with regard to application of the standard have clarified that a banking corporation may not elect the fair value option, unless the banking corporation had previously developed knowledge, systems, procedures and high-level controls which would allow it to measure the item with a high degree of reliability. Therefore, the Bank may not elect the fair value option for any asset which may be classified under Level 2 or Level 3 of the fair value ranking, nor for any liability, without prior consent of the Supervisor of Banks.

18) Taxes on income

Taxes on income include current and deferred taxes. Current and deferred taxes are recorded to the statement of profit and loss, or recorded directly to equity if they arise from items directly recognized in equity. The provision for taxes on income of the Bank and its subsidiaries that are financial institutions for VAT purposes includes profit tax levied on earnings under the Value Added Tax Law. The payroll tax levied on the salaries of financial institutions is included under “Payroll and associated expenses”.

A. Current taxes

Current taxes are taxes on income paid or payable (or refundable) for the current period, as determined by application of statutory tax provisions legislated with regard to taxable income. Current taxes include changes in tax payments with regard to previous years.

B Deferred taxes

Deferred tax liabilities and deferred tax assets reflect the future effects on taxes on income, due to temporary differences and carry-forward losses existing at the end of the period.

The Bank recognizes deferred tax liabilities with respect to taxable temporary differences. In conformity with directives of the Supervisor of Banks, as from January 1, 2017 the Bank recognizes a deferred tax liability with respect to undistributed earnings of subsidiaries accumulated since January 1, 2017.

The Bank recognizes deferred tax assets with respect to all deductible temporary differences and carry-forward losses, while concurrently recognizing a separate valuation allowance for the amount included in the asset that is more likely than not to be realized.

Deferred tax liabilities or deferred tax assets are measured using the statutory tax rates legislated, that are expected to apply to taxable income in the period when the deferred tax liability is expected to be settled or the deferred tax asset is expected to be realized.

For more information regarding the effect of changes in tax laws on current taxes and the deferred tax balances, see Chapter D “Changes to Tax Laws” below in this note.

C. Offset of deferred tax assets and liabilities

The Bank offsets deferred tax assets and deferred tax liabilities, as well as any related valuation allowance, for a specific taxable component and within a specific tax jurisdiction.

D. Uncertain tax positions

The Bank applies the rules for recognition, measurement and disclosure stipulated in FIN 48. In conformity with these rules, the Bank only recognizes the effect of tax positions if it is more likely than not that those positions would be accepted by the tax authorities or by the Court. Tax positions recognized are measured at the maximum amount whose likelihood of realization exceeds 50%. Changes in recognition or measurement are reflected in the period in which a change in circumstances resulted in a change in judgment.

Note 1 – Reporting Principles and Accounting Policies – continued

19) Earnings per share

The Bank presents earnings per share data, both basic and diluted, for its ordinary share capital. Basic earnings per share is calculated by dividing the earnings attributable to holders of ordinary shares of the Group, by the weighted average number of ordinary shares outstanding during the period, after adjustment for treasury shares. Diluted earnings per share is calculated by adjusting earnings (such as adjustment for after-tax effect of dividends, financing costs and other changes, if any) related to holders of ordinary shares, and adjusting the weighted average number of ordinary shares outstanding, after adjustment for treasury shares and for the effect of all potentially dilutive ordinary shares, including stock options granted to employees.

20) The Bank's operating segments

A. Supervisory operating segments

A supervisory operating segment is a Bank component engaged in certain activities or grouping customers in certain classifications, as specified by the Supervisor of Banks. The format for reporting Bank supervisory operating segments was prescribed in Public Reporting Directives by the Supervisor of Banks.

A supervisory operating segment is mostly specified in terms of customer classification. Individual customers are classified based on financial assets for the household and private banking segments. Customers other than individuals are primarily classified based on their turnover for business segments (separated into small and micro business, medium business and large business), institutional entities and the financial management segment.

Furthermore, the Bank is required to apply disclosure requirements to operating segments based on the management approach, when such operating segments materially differ from the supervisory operating segments.

B. Operating segments – the management approach

In addition to uniform reporting by supervisory operating segments, the Supervisor of Banks' circular dated November 3, 2014 stipulates that disclosure of "Operating segments in conformity with the management approach" should be provided in conformity with generally acceptable accounting practices by banks in the United States with regard to operating segments (included in ASC 280), if there is a material difference between the management approach and supervisory reportable segments.

An operating segment in conformity with the management approach is a Bank component with operations which may derive revenues and incur expenses which meet the following criteria:

- Its operating results are regularly reviewed by chief decision makers at the Bank for the purpose of making decisions about resource allocation and performance evaluation, and
- Separate financial information is available for it.

In flaw, there is a correlation between the supervisory operating segments and "operating segments in conformity with the management approach" but nevertheless, there are some differences in customer attribution to segments and in decision making. Therefore, the financial statements also include reporting of operating results in conformity with "the management approach", as noted above.

For more information about criteria for customer classification into supervisory segments and into segments in conformity with the management approach and for differences between them and additional extensive segment information, see Note 29 to the financial statements.

21) Transactions with controlling shareholders

The Bank applies US GAAP for accounting treatment of transactions between the Bank and its controlling shareholder and a company controlled by the Bank. In cases where the aforementioned rules do not refer to the manner of treatment, the Bank applies the rules stated in Standard 23 of the Israel Accounting Standards Board concerning the accounting treatment of transactions between an entity and its controlling shareholder.

Assets and liabilities subject to a transaction with a controlling shareholder are measured at fair value as of the transaction date.

Note 1 – Reporting Principles and Accounting Policies – continued

G. New accounting standards and new directives by the Supervisor of Banks prior to their implementation

Amendment	Publication requirements	Start date and transition provisions	Implications
Revisions to standards ASU 2023-09 regarding improvement to disclosure requirements concerning taxes on income	On December 14, 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-09 regarding improvement to disclosure requirements concerning taxes on income (hereinafter: "the Update". The revisions included in this update add new improved disclosure requirements and eliminate certain disclosure requirements.	In conformity with directives of the Supervisor of Banks	No material impact is expected on the financial statements.
Regulation revision ASU 2024-01 on the incidence of Subject 718 on bonuses of rights to profits and similar bonuses	On March 21, 2024, the Financial Accounting Standards Board ("FASB") issued ASU 2024-01 on the incidence of Subject 718 on the codification of profit interest awards and similar bonuses granted to employees and to non-working parties (hereinafter: "the Update"). This update clarifies that the guidelines of Subject 718 in the codification will be implemented in the event that the terms detailed in the standard are met. Furthermore, the Update adds examples that demonstrate the treatment of these types of bonuses.	In conformity with directives of the Supervisor of Banks	No material impact is expected on the financial statements.
Revisions to standards ASU 2024-03 regarding Disaggregation of Income Statement Expenses	In November 2024, the Financial Accounting Standards Board ("FASB") issued ASU 2024-03 regarding the disaggregation of selected income statement expenses in a separate note (hereinafter: "the Update"). The key requirements of the Update include, among other things: • To provide a disaggregated quantitative disclosure - in tabular format - of certain types of expenses, which are included in each relevant expense caption in the main reports, including employee compensation, depreciation of fixed asset items and amortization of intangible. • Qualitative description of amounts that were not separately disaggregated quantitatively.	In conformity with directives of the Supervisor of Banks	No material impact is expected on the financial statements.
Extension of transitional provision regarding implementation of provisions of Section 830 of the Codification "Foreign currency "	The transitional provision instructs banking corporations not to include exchange rate differentials with respect to available-for-sale bonds as part of fair value adjustment of such bonds, but rather to continue treating these as stipulated in the Public Reporting Directives prior to adoption of Section 830 of the Codification "Foreign currency", through January 1, 2025.	January 1, 2025	No material impact is expected on the financial statements.
Update to Proper Conduct of Banking Business Directive 206 Capital Measurement and Adequacy – Operational Risk	On June 19, 2024, the Bank Supervisor published a circular that updates the guidelines for calculating capital requirements for operating risk. The update includes guidelines for calculating risk assets weighted for operating risks as well as guidelines pertaining to historical loss data.	As from January 1, 2026	No material impact is expected on the financial statements.

Note 2 – Interest revenues and expenses

For the year ended December 31

Reported amounts (NIS in millions)

	2024	2023	2022
a. Interest revenues[1]			
From loans to the public	21,523	20,106	14,794
From loans to Governments	22	24	11
from cash and deposits with central banks	3,334	3,304	1,014
From deposits with banks	55	113	38
Of securities borrowed or purchased in resale agreements	12	4	10
From bonds	852	454	328
Total interest revenues	**25,798**	**24,005**	**16,195**
B. Interest expenses			
On deposits from the public	12,304	10,633	4,168
On deposits from governments	2	2	3
On deposits from banks	82	95	9
On bonds and subordinated notes	1,528	1,282	1,744
On other liabilities	68	18	31
Total interest expenses	**13,984**	**12,030**	**5,955**
Total interest revenues, net	**11,814**	**11,975**	**10,240**
c. Net Effect of Hedging Financial Derivatives on Interest Revenues	109	(22)	18
d. Details of interest revenues on accrual basis from bonds			
Held to maturity	116	111	57
Available for sale	723	339	253
For trading[2]	13	4	18
Total included under interest revenues	**852**	**454**	**328**

(1) Including the effect of hedges.

(2) Net interest revenues from trading operations for 2024, as presented in Note 29, amounting to NIS 11 million (in 2023 and 2022: net interest revenues (expenses) amounting to NIS 19 million and NIS 20 million, respectively), include interest revenues from bonds held for trading, amounting to NIS 13 million (in 2023 and 2022: NIS 4 million and NIS 12 million, respectively), as stated above, linkage differentials amounting to NIS 0 million (in 2023 and 2022: NIS 0 million and NIS 13 million) as well as inter-segment revenues (expenses) amounting to NIS (2) million (in 2023 and 2022: NIS 15 million and NIS (5) million, respectively) with respect to internal transactions between the Assets and Liability Management segment and the trading segment.

Note 3 – Non-interest financing revenues

For the year ended December 31

Reported amounts (NIS in millions)

	2024	2023	2022
a. Non-interest financing revenues (expenses) with respect to non-trading operations			
1. From activity in derivative instruments			
Net revenues (expenses) with respect to ALM derivative instruments[(1)]	91	1,618	3,450
Total from activity in derivative instruments	**91**	**1,618**	**3,450**
2. From investment in bonds			
Gain (loss) from sale of bonds available for sale	(64)	(118)	(55)
Provision for impairment with respect to bonds available for sale	(1)	(9)	(5)
Total from investment in bonds	**(65)**	**(127)**	**(60)**
3. Exchange rate differences, net	**108**	**(964)**	**(3,063)**
4. Gains from investment in shares			
Gains from sale of shares not held for trading	39	13	41
Provision for impairment of shares not held for trading	(5)	(6)	(45)
Dividends from shares not held for trading	38	14	36
Unrealized gains (losses)[(3)]	74	7	(81)
Total from investment in shares	**146**	**28**	**(49)**
5. Net gains with respect to loans sold	**-**	**-**	**8**
Total non-interest financing revenues with respect to non-trading purposes	**280**	**555**	**286**
b. Non-interest financing revenues (expenses) with respect to trading operations[(2)]			
Net revenues (expenses) with respect to other derivative instruments	251	(35)	365
Realized and un-realized gains (losses) from adjustment to fair value of bonds held for trading, net	40	(11)	98
Realized and un-realized gains (losses) from adjustment to fair value of shares held for trading, net	3	2	5
Total from trading operations[(4)(5)]	**294**	**(44)**	**468**
Details of non-interest financing revenues (expenses) with respect to trading operations, by risk exposure			
Interest exposure	168	(4)	103
Foreign currency exposure	116	(40)	365
Exposure to shares	10	-	-
Exposure to commodities and others	-	-	-
Total	**294**	**(44)**	**468**

(1) Derivative instruments which constitute part of the Bank's asset and liability management system, which were not designated as hedges.

(2) Includes exchange rate differentials resulting from trading operations.

(3) Including gains / losses from measurement at fair value of shares for which fair value is available, and upward / downward adjustment of shares for which no fair value is available.

(4) For interest revenues from investments in bonds held for trading, see Note 2.D.

(5) Financing revenues other than interest from trading operations for 2024, as presented in Note 29, amounting to NIS 290 million (in 2023 and 2022: NIS 202 million and NIS 345 million, respectively), include total revenues (expenses) from trading operations, as stated above, amounting to NIS 245 million (in 2023 and 2022: NIS 109 million and NIS 468 million, respectively), as well as exchange rate differentials (difference between exchange rate differentials with respect to ALM derivative operations and exchange rate differentials for balance sheet operations) amounting to NIS 45 million (in 2023 and 2022: NIS 93 million and NIS (123) million, respectively). as stated above.

Note 4 – Commissions

For the year ended December 31

Reported amounts (NIS in millions)

	2024	2023	2022
Account management[1]	394	431	440
Conversion differences	341	349	336
Activities involving securities	294	241	258
Credit cards	266	264	260
Commissions on distribution of financial products[2]	79	70	78
Handling credit	61	68	75
Foreign trade activity	46	49	55
Life insurance distribution commissions	94	92	113
Home insurance distribution commissions	14	14	14
Net revenues from credit portfolio service	24	28	27
Provident fund operations	23	27	24
Other commissions	73	68	61
Total commissions other than from financing business	**1,709**	**1,701**	**1,741**
Commissions from financing transactions	351	327	311
Total commissions	**2,060**	**2,028**	**2,052**

(1) In Israeli and foreign currency.
(2) Includes distribution commissions from mutual funds and pension products.

Note 4A – Revenue from contracts with customers[1]

For the year ended December 31

Reported amounts (NIS in millions)

								2024
	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total
Account management[2]	154	-	3	192	23	22	-	394
Conversion differences	94	-	2	81	6	15	143	341
Activities involving securities	167	-	8	28	6	48	37	294
Credit cards	198	-	1	60	4	3	-	266
Commissions on distribution of financial products[3]	70	-	2	5	1	1	-	79
Handling credit	4	2	-	38	4	13	-	61
Foreign trade activity	-	-	-	22	8	16	-	46
Life insurance distribution commissions	-	94	-	-	-	-	-	94
Home insurance distribution commissions	-	14	-	-	-	-	-	14
Net revenues from credit portfolio service	6	9	-	-	-	9	-	24
Provident fund operations	-	-	-	-	-	-	23	23
Other commissions	19	-	-	8	1	21	24	73
Total commissions other than from financing business	**712**	**119**	**16**	**434**	**53**	**148**	**227**	**1,709**
Commissions from financing transactions	6	1	1	48	33	262	-	351
Total commissions	**718**	**120**	**17**	**482**	**86**	**410**	**227**	**2,060**

(1) Classification of revenues to operating segments is based on the management approach.
(2) In Israeli and foreign currency.
(3) Includes distribution commissions from mutual funds and pension products.

Note 4A – Revenue from contracts with customers[(1)] – continued

For the year ended December 31

Reported amounts (NIS in millions)

								2023
	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total
Account management[(2)]	173	-	1	206	19	32	-	431
Conversion differences	94	-	3	82	9	14	147	349
Activities involving securities	137	-	8	21	5	39	31	241
Credit cards	197	-	1	59	4	3	-	264
Commissions on distribution of financial products[(3)]	63	-	2	4	-	1	-	70
Handling credit	5	6	-	42	4	11	-	68
Foreign trade activity	-	-	-	21	8	20	-	49
Life insurance distribution commissions	-	92	-	-	-	-	-	92
Home insurance distribution commissions	-	14	-	-	-	-	-	14
Net revenues from credit portfolio service	7	12	-	-	-	9	-	28
Provident fund operations	-	-	-	-	-	-	27	27
Other commissions	21	-	-	7	-	17	23	68
Total commissions other than from financing business	**697**	**124**	**15**	**442**	**49**	**146**	**228**	**1,701**
Commissions from financing transactions	7	2	-	47	31	240	-	327
Total commissions	**704**	**126**	**15**	**489**	**80**	**386**	**228**	**2,028**

								2022
	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total
Account management[(2)]	182	-	2	205	21	30	-	440
Conversion differences	91	-	2	82	8	14	139	336
Activities involving securities	146	-	7	29	5	42	29	258
Credit cards	200	-	1	52	4	3	-	260
Commissions on distribution of financial products[(3)]	67	-	2	4	5	-	-	78
Handling credit	18	7	-	35	4	11	-	75
Foreign trade activity	-	-	-	22	9	24	-	55
Life insurance distribution commissions	-	113	-	-	-	-	-	113
Home insurance distribution commissions	-	14	-	-	-	-	-	14
Net revenues from credit portfolio service	7	13	-	-	-	7	-	27
Provident fund operations	-	-	-	-	-	-	24	24
Other commissions	14	-	1	7	-	16	23	61
Total commissions other than from financing business	**725**	**147**	**15**	**436**	**56**	**147**	**215**	**1,741**
Commissions from financing transactions	21	3	1	42	30	214	-	311
Total commissions	**746**	**150**	**16**	**478**	**86**	**361**	**215**	**2,052**

(1) Classification of revenues to operating segments is based on the management approach.
(2) In Israeli and foreign currency.
(3) Includes distribution commissions from mutual funds and pension products.

Note 5 – Other revenues

For the year ended December 31

Reported amounts (NIS in millions)

	2024	2023	2022
Capital gain from sale of buildings and equipment	-	-	(1)371
Trustee fees	21	17	18
Revenues from security services	27	24	19
Rent revenues	5	6	6
Amortization of intangible assets, net	206	206	206
Other	14	13	2
Total other revenues	**273**	**266**	**622**

(1) Includes capital gain amounting to NIS 241 million with respect to sale of 100% interest in 24 rental properties around Israel, zoned for different uses, office and commercial use, and capital gain amounting to NIS 130 million with respect to sale of investment in Hof HaTchelet Development Company.

Note 6 – Salaries and Related Expenses

For the year ended December 31

Reported amounts (NIS in millions)

	2024	2023	2022
Salaries (including bonuses)	2,322	2,517	3,045
Expense due to transactions accounted for as share-based payment transactions settled using equity instruments(1)	50	57	45
Other associated expenses, including study fund and paid leave	162	130	109
Long-term benefits	32	26	4
National Insurance and VAT on salaries	554	538	511
Expenses with respect to pension (including severance pay and provident funds)			
Defined benefit – cost of service(2)	63	54	83
Defined contribution	217	192	190
Other post-employment benefits and post-retirement benefits, other than pension payment(2)	10	9	10
Expenses with respect to other employees' benefits	21	21	32
Total salaries and related expenses	**3,431**	**3,544**	**4,029**
Of which: Payroll and associated expenses overseas	**87**	**71**	**53**

(1) See Note 23 "Share-based Payment Transactions".
(2) See Note 22 "Employees' Rights".

Note 7 – Other Expenses

For the year ended December 31

Reported amounts (NIS in millions)

	2024	2023	2022
Expenses with respect to pension (including severance pay and provident funds), defined benefit (excluding cost of service)	109	83	113
Marketing and advertising	128	118	96
Communications	50	50	53
Computer	171	165	329
Office expenses	40	45	47
Insurance	26	25	57
Professional services	88	153	182
Board members' fees	9	9	15
Training and continuing education	10	16	15
Commissions	54	42	53
Cars and travel	41	40	35
Other	73	181	137
Total other expenses	**799**	**927**	**1,132**

Note 8 – Provision for Taxes on Profit

For the year ended December 31

Reported amounts (NIS in millions)

A. Composition[1]

	2024	2023	2022
Current taxes –			
For the current year	3,298	2,945	2,754
For prior years	13	9	10
Total current taxes	**3,311**	**2,954**	**2,764**
Changes in deferred taxes –			
For the current year	15	(285)	(406)
For prior years	-	-	(2)
Total deferred taxes	**15**	**(285)**	**(408)**
Total provision for taxes on income	**3,326**	**2,669**	**2,356**
Includes provision for income tax overseas	**93**	**109**	**123**

(1) The table excludes the tax effect with respect to certain items recognized directly in equity in each period. The tax effect of all items recognized directly in equity amounted to a NIS 36 million decrease in 2024, compared to a NIS 4 million increase in 2023 and a NIS 183 million decrease in 2022.

B. Below is a reconciliation between the theoretical tax amount that would be applicable had the profit been taxable at the statutory tax rate applicable to banks in Israel, and between the provision for taxes on profit as included in the statement of profit and loss:

	2024	2023	2022
Pre-tax profit	**8,980**	**7,748**	**6,963**
Statutory tax rate applicable to a bank in Israel	**38.03%**	**34.19%**	**34.19%**
Tax amount based on statutory tax rate	3,415	2,649	2,381
Tax (tax saving) from:			
Income of subsidiaries in Israel [1]	-	-	(21)
Income of subsidiaries overseas	-	-	1
Exempt and reduced tax rate income	(11)	(2)	(5)
Adjustment differences on depreciation, amortization and capital gains	(9)	(1)	(1)
Other non-deductible expenses	72	103	70
Temporary differences and gain for which no deferred taxes have been recorded	16	4	5
Taxes with respect to previous years:			
Additional amounts payable for problematic debts	3	5	4
Others	10	(8)	3
Amortization of deferred credit balance[2]	(90)	(81)	(81)
Change in the deferred tax balance due to change in the tax rate	(10)	-	-
Other	(70)	-	-
Total provision for taxes on income	**3,326**	**2,669**	**2,356**

(1) Includes revenues of auxiliary corporations.
(2) Revenue recognition with respect to deferred credit balance from acquisition of Union Bank, as from September 30, 2020.

Note 8 – Provision for Taxes on Profit – continued

For the year ended December 31

Reported amounts (NIS in millions)

C. Changes in deferred taxes

	As of December 31, 2023	Changes charged to profit and loss	Effect of the change in the tax rate charged to profit and loss	Changes charged to Other Comprehensive Income	As of December 31, 2024	Average tax rate in %
Deferred tax assets[1]:						
From provision for credit losses	1,388	40	20	-	1,448	34.23
From provision for vacation pay, long-service bonuses and employee rights	370	(54)	6	-	322	34.11
From excess liabilities with respect to employee benefits over plan assets	635	29	9	(35)	638	34.42
From securities	13	(22)	-	-	(9)	34.48
Other – from non-monetary items	8	(4)	-	-	4	34.48
Deferred tax balance, gross	**2,414**	**(11)**	**35**	**(35)**	**2,403**	**34.39**
Provision for tax asset	-	-	-	-	-	-
Tax asset balance net of provision for deferred taxes	**2,414**	**(11)**	**35**	(35)	**2,403**	**34.39**
Deferred tax liabilities with respect to[1]:						
From fixed assets and leases	27	1	-	-	28	23.00
From investments in investee companies	192	17	25	-	234	15.25
Other – from monetary items[2]	4	2	-	1	7	34.48
Tax reserve with respect to excess cost adjustments	11	(6)	-	-	5	34.48
Deferred tax liability balance, gross	**234**	**14**	**25**	**1**	**274**	**15.76**
Deferred tax balance, net	**2,180**	**(25)**	**10**	**(36)**	**2,129**	

	As of December 31, 2022	Changes charged to profit and loss	Effect of the change in the tax rate charged to profit and loss	Changes charged to Other Comprehensive Income	As of December 31, 2023	Average tax rate in %
Deferred tax assets[1]:						
From provision for credit losses	999	389	-	-	1,388	34.19
From provision for vacation pay, long-service bonuses and employee rights	439	(69)	-	-	370	33.71
From excess liabilities with respect to employee benefits over plan assets	613	16	-	6	635	34.14
From securities[4]	17	(4)	-	-	13	34.19
Other – from non-monetary items	30	(22)	-	-	8	34.19
Deferred tax balance, gross	**2,098**	**310**	**-**	**6**	**2,414**	**34.39**
Provision for tax asset	-	-	-	-	-	-
Tax asset balance net of provision for deferred taxes	**2,098**	**310**	**-**	**6**	**2,414**	**34.03**
Deferred tax liabilities with respect to[1]:						
From fixed assets and leases	28	(1)	-	-	27	23.00
From investments in investee companies	165	27	-	-	192	11.98
Other – from monetary items[2]	-	2	-	2	4	34.19
Tax reserve with respect to excess cost adjustments	14	(3)	-	-	11	34.19
Deferred tax liability balance, gross	**207**	**25**	**-**	**2**	**234**	**16.57**
Deferred tax balance, net	**1,891**	**285**	**-**	**4**	**2,180**	

(1) The Bank assumes that, with respect to all of the aforementioned deferred taxes, it is more likely than not that future operating results would generate sufficient taxable income to realize these deferred tax assets.

(2) Changes in this item amounting to NIS 1 million due to net gain from cash flow hedges were charged to a separate item under shareholder's equity (in the previous year: gain amounting to NIS 2 million).

Note 8 – Provision for Taxes on Profit – continued

For the year ended December 31

Reported amounts (NIS in millions)

D. Deferred tax liabilities for which no temporary differences were recognized in connection with investments in subsidiaries

In accordance with the transitional provisions set in the Supervisor of Banks' directives, the Bank did not recognize a deferred tax liability in respect of certain temporary differences relating to the Bank's investment in subsidiaries, which is permanent in nature. The said amount will be taxed only upon sale or liquidation of the companies. As of December 31, 2024, the said temporary difference amounts to NIS 2,061 million; had the Bank been required to recognize a deferred tax liability in respect of the said undistributed earnings, the liability amount would have amounted to approx. NIS 314 million as of December 31, 2024.

E. Legislation changes with regard to tax

1. Special tax

During March 2024, the Knesset approved the "Special Payment to Achieve Budget Targets Law (Temporary Order – Iron Swords)", 2024, whereby a special payment was imposed on Israeli banks at a rate of 6% of their profits from activity in Israel (as defined in the VAT Law) in the period between April 1, 2024 and December 31, 2025. Exempt from this payment are banking groups with total assets on their balance sheet lower than 5% of total assets of banks in Israel. However, the legislation stipulates that total payment on aggregate for all banks in Israel would be capped at NIS 1.2 billion in 2024 and at NIS 1.3 billion in 2025, divided among the banks pro rata to their pre-tax earnings as reported to the tax authorities in these periods.

Subsequent to the above legislation, in 2024 the estimated annual effective tax rate used to calculate the current tax expenses, which was calculated based on the new tax rates is 38.03% compared to the previous tax rate of 34.19%.

2. VAT, profit tax and payroll tax

In April 2024 the order that sets the increase of the payroll and profit tax from 17% to 18% starting January 1, 2025 was published in the Official Gazette. However, banks, which will be subject to a special payment of 6% on their profits in accordance with the temporary order (see section 1 above for more information) will still be subject to lower payroll and profit tax of 17% until such time when they will be exempted from payment of the special tax.

The Bank has taken into account the change in the rate of payroll and profit tax in its calculation of the tax rate expected to apply on the reversal date in order to recognize an appropriate deferred tax balance; the effect on the deferred tax balances due to the said change amounted to a NIS 10 million income and was recognized in 2024 in the tax expenses line item in the statement of profit and loss. Consequently, as of the change date, the deferred tax assets balance was revised from NIS 2,194 million to NIS 2,229 million, whereas the deferred tax liabilities balance was revised from NIS 200 million to NIS 225 million.

The following statutory tax rates apply to banking corporations:

Tax year	Profit tax rate	Income tax rate	Total tax rate[1]
2018-2023	17%	23%	34.19%
2024	17%	23%	38.03%

[1] The current taxes for the reported periods are calculated in accordance with the tax rates which include the additional tax rate (see section 1 above).

The current taxes for the reported periods are calculated in accordance with the tax rates which include the additional tax rate (see section 1 above).

The tax indebtedness of Bank subsidiaries is determined based on applicable tax rates in those countries. For overseas branches, the Bank supplements the tax indebtedness based on the tax rate in Israel.

F. The Bank has finalized tax assessments through 2020.

The Bank received agreed withholding deduction tax assessments through the 2020 tax year.

Bank Yahav has finalized tax assessments through 2019.

Note 8 – Provision for Taxes on Profit – continued

For the year ended December 31

Reported amounts (NIS in millions)

G. Global minimum tax reform – Pillar 2

In recent years, the provisions of the global minimum tax reform - Pillar 2 - were issued (hereinafter: "Pillar 2"). Since these directives were issued, over 135 countries have agreed to apply them.

Pillar 2 stipulates a new global minimum tax at 15%, effective as from January 1, 2024. Currently, the Israeli Tax Authority has yet to adopt these directives.

Given that the Bank has no material operations in any jurisdictions with tax rates lower than the minimum stipulated by Pillar 2, these rules are not expected to materially increase the Bank's global tax costs. The Bank will continue to monitor legislation in Israel and world-wide with regard to Pillar 2, in order to consider the potential impact of application of the new global tax.

Note 9 – Earnings per Ordinary Share

	For the year ended December 31		
	Reported amounts (NIS in millions)		
	2024	2023	2022
Net profit used to calculate earnings per share:			
Basic and diluted earnings per share			
Total net profit attributable to shareholders of the Bank	**5,455**	**4,910**	**4,472**
Weighted average number of shares (in thousands of shares)(1)(2)			
Weighted average number of ordinary shares used to calculate basic earnings	258,306	257,452	255,953
Weighted average number of ordinary shares used to calculate diluted earnings	259,551	258,448	257,319
Earnings per share:			
Total basic earnings attributable to holders of ordinary Bank shares	**21.12**	**19.07**	**17.47**
Total diluted earnings attributable to holders of ordinary Bank shares	**21.02**	**19.00**	**17.38**

(1) Share of NIS 0.1 par value.

(2) The weighted average number of ordinary shares used to calculate diluted earnings per share includes the number of options due to share-based payment transactions. For more information see Note 23 to the financial statements.

Note 10 – Cumulative other comprehensive income (loss)

Reported amounts (NIS in millions)

A. Changes to cumulative other comprehensive income (loss), after tax effect

	Other comprehensive income (loss), before attribution to non-controlling interests						
	Adjustments for presentation of available-for-sale bonds at fair value	Translation adjustments[1]	Net gains (losses) from cash flow hedges	Adjustments with respect to employees' benefits	Total	Other comprehensive income attributed to non-controlling interests	Other comprehensive income attributable to shareholders of the Bank
Balance as of January 1, 2022	**98**	**(2)**	**(12)**	**(412)**	**(328)**	**(25)**	**(303)**
Net change in the period	(556)	-	12	[2]340	(204)	7	(211)
Balance as of December 31, 2022	**(458)**	**(2)**	**-**	**(72)**	**(532)**	**(18)**	**(514)**
Net change in the period	102	-	3	[2](17)	88	(16)	104
Balance as of December 31, 2023	**(356)**	**(2)**	**3**	**(89)**	**(444)**	**(34)**	**(410)**
Net change in the period	134	-	2	[2]74	210	15	195
Balance as of December 31, 2024	**(222)**	**(2)**	**5**	**(15)**	**(234)**	**(19)**	**(215)**

(1) Translation adjustments of financial statements of associated companies whose functional currency differs from the Bank's functional currency.
(2) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve.

Note 10 – Cumulative other comprehensive income (loss) – continued

Reported amounts (NIS in millions)

B. Changes in items of cumulative other comprehensive income (loss) before and after tax effect

	For the year ended December 31								
	2024			2023			2022		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Change in items of other comprehensive income (loss), before attribution to non-controlling interests:									
Adjustments for presentation of available-for-sale bonds at fair value									
Net unrealized gains (losses) from adjustments to fair value	140	(49)	91	23	(5)	18	(864)	272	(592)
Losses (gains) with respect to available-for-sale securities reclassified to the statement of profit and loss[1]	65	(22)	43	127	(43)	84	55	(19)	36
Net change in the period	**205**	**(71)**	**134**	**150**	**(48)**	**102**	**(809)**	**253**	**(556)**
Translation adjustments									
Adjustments from translation of financial statements[2]	-	-	-	-	-	-	-	-	-
Net change in the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash flows hedges									
Net gains (losses) with respect to cash flows hedging	3	(1)	2	5	(2)	3	18	(6)	12
Net (gains) losses with respect to cash flow hedges reclassified to the statement of profit and loss	-	-	-	-	-	-	-	-	-
Net change in the period	**3**	**(1)**	**2**	**5**	**(2)**	**3**	**18**	**(6)**	**12**
Employees' benefits									
Net actuarial gain (loss) for the period	84	(26)	[4]58	(35)	10	[4](25)	455	(156)	[4]299
Net gain (loss) reclassified to the statement of profit and loss[3]	25	(9)	16	12	(4)	8	62	(21)	41
Net change in the period	**109**	**(35)**	**74**	**(23)**	**6**	**(17)**	**517**	**(177)**	**340**
Total net change in the period	**317**	**(107)**	**210**	**132**	**(44)**	**88**	**(274)**	**70**	**(204)**
Total net change in the period attributable to non-controlling interests	**23**	**(8)**	**15**	**(24)**	**8**	**(16)**	**11**	**(4)**	**7**
Total net change in the period attributable to shareholders of the Bank	**294**	**(99)**	**195**	**156**	**(52)**	**104**	**(285)**	**74**	**(211)**

(1) Pre-tax amount included in the statement of profit and loss under "Non-interest financing revenues". For details, see Note 3.A.2.
(2) Translation adjustments of financial statements of associated companies whose functional currency differs from the Bank's functional currency.
(3) Pre-tax amounts are included under "Salaries and related expenses" in the statement of profit and loss. For more information see Note 22.C.2.
(4) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve.

Note 11 – Cash and Deposits with Banks

As of December 31

Reported amounts (NIS in millions)

	2024	2023
Cash and deposits with central banks	81,235	84,899
Deposits with commercial banks	1,409	1,651
Total cash and deposits with banks	**82,644**	**86,550**
Includes: Cash, deposits with banks and deposits with central banks for an original period of up to three months	82,088	85,957

For more information about liens see Note 27 below.

Note 12 – Securities

As of December 31, 2024

Reported amounts (NIS in millions)

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized: Gains	Adjustments to fair value yet to be recognized: Losses	Fair value[1]
(1) Bonds held to maturity						
of Government of Israel	3,287	3,287	-	6	(109)	3,184
Of financial institutions in Israel	253	253	-	-	(11)	242
Of others in Israel	84	84	-	3	(2)	85
Total bonds held to maturity	**3,624**	**3,624**	**-**	**9**	**(122)**	**3,511**
	Carrying amount	**Amortized cost**	**Balance of provision for credit losses**	**Cumulative other comprehensive income[4]: Gains**	**Cumulative other comprehensive income[4]: Losses**	**Fair value[1]**
(2) Bonds available for sale						
of Government of Israel	11,901	12,168	-	91	(358)	11,901
of foreign governments[3]	1,811	1,813	-	-	(2)	1,811
Of financial institutions in Israel	545	565	-	9	(29)	545
Of foreign financial institutions	138	141	-	1	(4)	138
Asset-backed (ABS)	56	57	-	-	(1)	56
Of others in Israel	1,100	1,122	(8)	16	(30)	1,100
Of others overseas	170	168	-	4	(2)	170
Total bonds available for sale	**15,721**	**16,034**	**(8)**	**121**	**(426)**	**15,721**
	Carrying amount	**Cost**	**Balance of provision for credit losses**	**Adjustments to fair value yet to be realized[5]: Gains**	**Adjustments to fair value yet to be realized[5]: Losses**	**Fair value[1]**
(3) Investment in shares not held for trading	**878**	**710**	**-**	**177**	**(9)**	**878**
Of which: Shares for which no fair value is available[6]	582	568	-	14	-	582
Total securities not held for trading	**20,223**	**20,368**	**(8)**	**307**	**(557)**	**20,110**

Note 12 – Securities – Continued

As of December 31, 2024

Reported amounts (NIS in millions)

	Carrying amount	Amortized cost (for shares – cost)	Balance of provision for credit losses	Adjustments to fair value yet to be realized[5]		Fair value[1]
				Gains	Losses	
(4) Bonds held for trading						
of Government of Israel	8,057	7,813	-	257	(13)	8,057
Of foreign governments	150	156	-	-	(6)	150
Of financial institutions in Israel	1	1	-	-	-	1
Of others in Israel	16	14	-	2	-	16
Of others overseas	24	24	-	-	-	24
Total bonds held for trading	**8,248**	**8,008**	**-**	**259**	**(19)**	**8,248**
Shares and other securities	20	16	-	7	(3)	20
Total securities held for trading	**8,268**	**8,024**	**-**	**266**	**(22)**	**8,268**
Total securities[2]	**28,491**	**28,392**	**(8)**	**573**	**(579)**	**28,378**

(5) Additional information about bonds	
Recorded debt balance of	
Problematic bonds accruing interest revenues	-
Problematic bonds not accruing interest revenues	8
	8

(1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.
(2) Of which: Securities pledged to lenders, amounting to NIS 935 million and securities provided as collateral to lenders, amounting to NIS 52 million.
(3) US government bonds.
(4) Included in shareholders' equity in "adjustments on presentation of bonds available for sale at fair value".
(5) Charged to statement of profit and loss but not yet realized.
(6) Generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer.

Remarks:
- For more information about operations involving investments in bonds – see Notes 2.D, 3.A.2 and 3.B. For more information of investments in shares – see Note 3.A.4.
- The distinction between Israeli and foreign bonds was made in conformity with the country of residence of the entity which issued the securities.

Note 12 – Securities – Continued

As of December 31, 2023

Reported amounts (NIS in millions)

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized		Fair value[1]
				Gains	Losses	
(1) Bonds held to maturity						
of Government of Israel	3,164	3,164	-	-	(119)	3,045
Of financial institutions in Israel	334	334	-	1	(13)	322
Of others in Israel	102	102	-	1	(2)	101
Total bonds held to maturity	**3,600**	**3,600**	**-**	**2**	**(134)**	**3,468**
	Carrying amount	**Amortized cost**	**Balance of provision for credit losses**	**Cumulative other comprehensive income[4]**		**Fair value[1]**
				Gains	**Losses**	
(2) Bonds available for sale						
of Government of Israel	9,138	9,572	-	55	(489)	9,138
of foreign governments[3]	310	314	-	-	(4)	310
Of financial institutions in Israel	438	466	-	6	(34)	438
Of foreign financial institutions	251	256	-	2	(7)	251
Asset-backed (ABS)	56	59	-	-	(3)	56
Of others in Israel	975	1,016	(8)	14	(47)	975
Of others overseas	205	208	-	5	(8)	205
Total bonds available for sale	**11,373**	**11,891**	**(8)**	**82**	**(592)**	**11,373**
	Carrying amount	**Cost**	**Balance of provision for credit losses**	**Adjustments to fair value yet to be realized[5]**		**Fair value[1]**
				Gains	**Losses**	
(3) Investment in shares not held for trading	**602**	**549**	**-**	**76**	**(23)**	**602**
Of which: Shares for which no fair value is available[6]	350	338	-	12	-	350
Total securities not held for trading	**15,575**	**16,040**	**(8)**	**160**	**(749)**	**15,443**

Note 12 – Securities – Continued

As of December 31, 2023

Reported amounts (NIS in millions)

	Carrying amount	Amortized cost (for shares – cost)	Balance of provision for credit losses	Adjustments to fair value yet to be realized[5] Gains	Adjustments to fair value yet to be realized[5] Losses	Fair value[1]
(4) Bonds held for trading						
of Government of Israel	7,150	7,201	-	2	(53)	7,150
Of foreign governments	273	270	-	3	-	273
Of financial institutions in Israel	4	4	-	-	-	4
Of others in Israel	23	22	-	1	-	23
Of others overseas	30	31	-	-	(1)	30
Total bonds held for trading	**7,480**	**7,528**	**-**	**6**	**(54)**	**7,480**
Shares and other securities	16	14	-	4	(2)	16
Total securities held for trading	**7,496**	**7,542**	**-**	**10**	**(56)**	**7,496**
Total securities[2]	**23,071**	**23,582**	**(8)**	**170**	**(805)**	**22,939**

(5) Additional information about bonds	
Recorded debt balance of	
Problematic bonds accruing interest revenues	-
Problematic bonds not accruing interest revenues	21
	21

(1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.

(2) Of which: Securities pledged to lenders, amounting to NIS 430 million and securities provided as collateral to lenders, amounting to NIS 50 million.

(3) US government bonds.

(4) Included in shareholders' equity in "adjustments on presentation of bonds available for sale at fair value".

(5) Charged to statement of profit and loss but not yet realized.

(6) Generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer.

Remarks:

- For more information about operations involving investments in bonds – see Notes 2.D, 3.A.2 and 3.B. For more information of investments in shares – see Note 3.A.4.
- The distinction between Israeli and foreign bonds was made in conformity with the country of residence of the entity which issued the securities.

Note 12 – Securities – Continued

Reported amounts (NIS in millions)

(6) Fair value and unrealized losses, by time period and impairment rate, of bonds available for sale, which include unrealized loss:

	Less than 12 months					12 months or more				
		Unrealized losses					Unrealized losses			
	Fair value(1)	0%-20%	20%-40%	Over 40%	Total	Fair value(1)	0%-20%	20%-40%	Over 40%	Total
	As of December 31, 2024									
Bonds available for sale										
of Government of Israel	5,413	31	-	-	31	1,658	249	52	26	327
Of foreign governments(2)	-	-	-	-	-	52	2	-	-	2
Of financial institutions in Israel	18	1	-	-	1	317	28	-	-	28
Of foreign financial institutions	24	-	-	-	-	73	4	-	-	4
Asset-backed (ABS)	-	-	-	-	-	56	1	-	-	1
Of others in Israel	32	13	-	-	13	486	17	-	-	17
Of others overseas	3	-	-	-	-	73	2	-	-	2
Total bonds available for sale	**5,490**	**45**	**-**	**-**	**45**	**2,715**	**303**	**52**	**26**	**381**
	As of December 31, 2023									
Bonds available for sale										
of Government of Israel	2,251	39	-	-	39	4,601	365	56	29	450
Of foreign governments(2)	-	-	-	-	-	50	4	-	-	4
Of financial institutions in Israel	84	3	-	-	3	336	31	-	-	31
Of foreign financial institutions	77	1	-	-	1	91	6	-	-	6
Asset-backed (ABS)	-	-	-	-	-	55	3	-	-	3
Of others in Israel	131	17	-	-	17	550	30	-	-	30
Of others overseas	2	-	-	-	-	148	3	5	-	8
Total bonds available for sale	**2,545**	**60**	**-**	**-**	**60**	**5,831**	**442**	**61**	**29**	**532**

(1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.

(2) US government bonds.

Note 12 – Securities – Continued

Reported amounts (NIS in millions)

(7) Asset-backed and mortgage-backed securities

	Carrying amount	Amortized cost	Cumulative other comprehensive income		Fair value
			Gains	Losses	
					As of December 31, 2024
Asset-backed bonds	56	57	-	(1)	56
Total asset-backed bonds available for sale	**56**	**57**	**-**	**(1)**	**56**
					As of December 31, 2023
Asset-backed bonds	56	59	-	(3)	56
Total asset-backed bonds available for sale	**56**	**59**	**-**	**(3)**	**56**

(8) Movement in balance of provision for credit losses of bonds available for sale

	Governments and financial institutions	Asset-backed or mortgage-backed	Of others	Total
Balance of provision for credit losses as of December 31, 2021	**-**	**-**	**-**	**-**
Additions with respect to credit losses on securities for which no credit losses were previously recognized	-	-	7	7
Deductions with respect to securities sold during the period	-	-	(2)	(2)
Deductions with respect to intended sale	-	-	-	-
Net increase (decrease) in provision for credit losses with respect to securities for which credit losses were previously recognized	**-**	**-**	**5**	**5**
Accounting write-offs charged against the provision	-	-	(5)	(5)
Collection of amounts subject to accounting write-offs in previous periods	-	-	-	-
Net accounting write-offs	**-**	**-**	**(5)**	**(5)**
Other	-	-	-	-
Balance of provision for credit losses as of December 31, 2022	**-**	**-**	**-**	**-**
Additions with respect to credit losses on securities for which no credit losses were previously recognized	-	-	17	17
Deductions with respect to securities sold during the period	-	-	-	-
Deductions with respect to intended sale	-	-	-	-
Net increase (decrease) in provision for credit losses with respect to securities for which credit losses were previously recognized	**-**	**-**	**17**	**17**
Accounting write-offs charged against the provision	-	-	(9)	(9)
Collection of amounts subject to accounting write-offs in previous periods	-	-	-	-
Net accounting write-offs	**-**	**-**	**(9)**	**(9)**
Other	-	-	-	-
Balance of provision for credit losses as of December 31, 2023	**-**	**-**	**8**	**8**
Additions with respect to credit losses on securities for which no credit losses were previously recognized	-	-	1	1
Deductions with respect to securities sold during the period	-	-	-	-
Deductions with respect to intended sale	-	-	-	-
Net increase (decrease) in provision for credit losses with respect to securities for which credit losses were previously recognized	**-**	**-**	**1**	**1**
Accounting write-offs charged against the provision	-	-	(1)	(1)
Collection of amounts subject to accounting write-offs in previous periods	-	-	-	-
Net accounting write-offs	**-**	**-**	**(1)**	**(1)**
Other	-	-	-	-
Balance of provision for credit losses as of December 31, 2024	**-**	**-**	**8**	**8**

Note 13 – Credit risk, loans to the public and provision for credit losses

Reported amounts (NIS in millions)

A. Debts[1], loans to the public and balance of provision for credit losses

	December 31, 2024					
	Loans to the public				Banks, governments and bonds	Total
	Commercial	Housing	Individual – other	Total		
Recorded debt balance:						
reviewed on individual basis	95,331	-	25	95,356	43,606	138,962
reviewed on group basis	13,950	225,364	27,424	266,738	-	266,738
Total debts	**109,281**	**[2]225,364**	**27,449**	**362,094**	**43,606**	**405,700**
Of which:						
Non-accruing debts	2,019	2,141	83	4,243	1	4,244
Debts in arrears 90 days or longer	82	-	63	145	-	145
Other problematic debts	1,257	-	126	1,383	-	1,383
Total problematic debts	**3,358**	**2,141**	**272**	**5,771**	**1**	**5,772**
Balance of provision for credit losses with respect to debts:						
reviewed on individual basis	1,718	-	2	1,720	12	1,732
reviewed on group basis	541	1,180	672	2,393	-	2,393
Total provision for credit losses	**2,259**	**1,180**	**674**	**4,113**	**12**	**4,125**
Of which: With respect to non-accruing debts	**403**	**107**	**48**	**558**	**1**	**559**
Of which: With respect to other problematic debts	**215**	**-**	**79**	**294**	**-**	**294**

	December 31, 2023					
	Loans to the public				Banks, governments and bonds	Total
	Commercial	Housing	Individual – other	Total		
Recorded debt balance:						
reviewed on individual basis	82,846	-	146	82,992	42,980	125,972
reviewed on group basis	13,080	206,657	26,686	246,423	-	246,423
Total debts	**95,926**	**[2]206,657**	**26,832**	**329,415**	**42,980**	**372,395**
Of which:						
Non-accruing debts	1,466	2,153	74	3,693	1	3,694
Debts in arrears 90 days or longer	73	-	71	144	-	144
Other problematic debts	2,189	-	124	2,313	-	2,313
Total problematic debts	**3,728**	**2,153**	**269**	**6,150**	**1**	**6,151**
Balance of provision for credit losses with respect to debts:						
reviewed on individual basis	1,700	-	1	1,701	11	1,712
reviewed on group basis	563	1,129	676	2,368	-	2,368
Total provision for credit losses	**2,263**	**1,129**	**677**	**4,069**	**11**	**4,080**
Of which: With respect to non-accruing debts	**375**	**107**	**60**	**542**	**1**	**543**
Of which: With respect to other problematic debts	**394**	**-**	**88**	**482**	**-**	**482**

(1) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements, except for deposits with Bank of Israel.

(2) Includes general-purpose loans secured by a lien on a residential apartment, amounting to NIS 14,905 million (as of December 31, 2023: NIS 13,378 million).

Note 13 – Credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Change in balance of provision for credit losses

	For the year ended December 31, 2024					
	Provision for credit losses					
	Loans to the public				Banks, governments and bonds	Total
	Commercial	Housing	Individual – other	Total		
Balance of provision for credit losses at start of period	2,419	1,149	702	4,270	11	4,281
Expenses due to credit losses	315	64	139	518	1	519
Accounting write-offs[1]	(500)	-	(313)	(813)	-	(813)
Collection of debts written off for accounting purposes in previous years[1]	214	-	169	383	-	383
Net accounting write-offs	(286)	-	(144)	(430)	-	(430)
Balance of provision for credit losses at end of period	**2,448**	**1,213**	**697**	**4,358**	**12**	**4,370**
Of which: With respect to off balance sheet credit instruments	**189**	**33**	**23**	**245**	**-**	**245**

	For the year ended December 31, 2023					
Balance of provision for credit losses at start of period	1,690	902	512	3,104	1	3,105
Expenses due to credit losses	882	247	324	1,453	10	1,463
Accounting write-offs[1]	(290)	-	(257)	(547)	-	(547)
Collection of debts written off for accounting purposes in previous years[1]	137	-	123	260	-	260
Net accounting write-offs	(153)	-	(134)	(287)	-	(287)
Balance of provision for credit losses at end of period	**2,419**	**1,149**	**702**	**4,270**	**11**	**4,281**
Of which: With respect to off balance sheet credit instruments	**156**	**20**	**25**	**201**	**-**	**201**

	For the year ended December 31, 2022					
Balance of provision for credit losses at start of period	1,256	804	254	2,314	1	2,315
Opening balance adjustment for effect of initial application of public reporting directives with regard to expected credit losses	275	(32)	149	392	-	392
Expenses due to credit losses	336	99	97	532	-	532
Accounting write-offs[1]	(330)	-	(189)	(519)	-	(519)
Collection of debts written off for accounting purposes in previous years[1]	128	-	122	250	-	250
Net accounting write-offs	(202)	-	(67)	(269)	-	(269)
Other[2]	25	31	79	135	-	135
Balance of provision for credit losses at end of period	**1,690**	**902**	**512**	**3,104**	**1**	**3,105**
Of which: With respect to off balance sheet credit instruments	**199**	**5**	**16**	**220**	**-**	**220**

(1) Accounting write-offs presented in the Note primarily consist of write-offs of a technical nature, due to passage of time of customers being in arrears, in conformity with US standards applicable to the Bank in this regard. Thus, for example, the balance of the provision for large non-accruing debts will typically be written off after two years. Debt measured on a group basis will be written off after 150 days in arrears. This means that the Bank's collection efforts may sometimes take longer when compared to the timing for write-off according to accounting rules. Consequently, relatively high balances of "accounting write-offs" and relatively high balances of "Recovery of debts written off in previous years" are presented.

(2) Movement in provision for credit losses in subsidiary, primarily attributed to cost of acquisition upon initial consolidation, and is therefore not included on the consolidated balance sheet.

Note 14 – Loans to Governments

As of December 31

Reported amounts (NIS in millions)

	2024	2023
Loans to Government of Israel	-	1
Loans to foreign governments	318	479
Total loans to governments	**318**	**480**

Note 15 – Investments in and Details of Investee companies

As of December 31

Reported amounts (NIS in millions)

A. Item composition:

	2024	2023
	Associated companies	**Associated companies**
Investment in shares stated on equity basis	263	207
Subordinated notes and capital notes	-	35
Total investments	**263**	**242**
Of which:		
Losses accrued since acquisition date	(4)	(20)
Post-acquisition items accrued in shareholders' equity:		
Adjustments from translation of financial statements	(2)	(2)

B. Bank's share in net profits of associated companies, net:

	2024	2023	2022
Bank's share in net profits (losses) of associated companies(1)(2)	16	1	5

(1) There are no losses or reversal of losses from impairment of investee companies.
(2) The tax effect on earnings of associated companies is less than NIS 1 million.

Note 15 – Investments in and Details of Investee companies – continued

Reported amounts (NIS in millions)

	Company information	Share in capital conferring rights to profits		Share in voting rights	
		As of December 31			
		2024	2023	2024	2023
C. Details of principal investee companies[1]:					
1) Subsidiaries					
Bank Yahav for Government Employees Ltd.[2]	The Bank	50%	50%	50%	50%
Tefahot Insurance Agency (1989) Ltd.	Insurance agency	100%	100%	100%	100%
Mizrahi Tefahot Issue Company Ltd.	Issuance company	100%	100%	100%	100%
Mizrahi Tefahot INVEST Ltd.	Real investments	100%	100%	100%	100%
Mizrahi Tefahot Leasing Ltd.	Leasing	100%	100%	100%	100%

	December 31, 2024		
	Cost	Accumulated amortization	Amortized balance
D. Balance of goodwill with respect to investees:[2][3]	140	53	87

(1) The above list does not include wholly owned and controlled companies constituting property companies that provide services to the Bank, or companies that provide services to the Bank, and whose assets and liabilities and operating results are included in the Bank's financial statements.

(2) Balance of goodwill with respect to acquisition of Bank Yahav is included on the consolidated balance sheet under Intangible Assets and Goodwill.

(3) The goodwill balance includes goodwill with respect to acquisition of Tefahot Mortgage Bank Ltd., whose amortized balance as of December 31, 2024 amounted to NIS 14 million (identical to amortized balance as of December 31, 2023 and as of December 31, 2022), and with respect to acquisition of Adanim Mortgage Bank Ltd., whose amortized balance as of December 31, 2024 amounted to NIS 4 million (identical to amortized balance as of December 31, 2023 and as of December 31, 2022).

(4) Includes goodwill balance included on the consolidated balance sheet under "Intangible assets and goodwill".

(5) Including adjustments from translation of financial statements and adjustments with respect to presentation of certain securities of investees at fair value and changes to Other Comprehensive Income with respect to employee benefits.

	Investment in shares at equity value(4)		Goodwill balance(2)		Other capital investments		Contribution to net profit (loss) attributable to shareholders of the banking corporation		Dividends recorded		Other items accrued under shareholders equity(5)	
	As of December 31								For the year ended December 31			
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	1,436	1,242	69	69	-	-	215	170	(35)	-	14	(16)
	1,586	1,498	-	-	-	-	89	86	-	-	-	-
	108	103	-	-	-	-	5	5	-	-	-	-
	570	540	-	-	389	139	30	3	-	-	-	-
	348	259	-	-	700	700	89	66	-	-	-	-

Note 16 – Buildings and Equipment

Reported amounts (NIS in millions)

	Buildings and land (including installations and leasehold improvements)[1]	Equipment, furniture, and vehicles	Cost of software	Total
A. Composition				
Cost of assets				
Cost of assets as of December 31, 2022[3]	**1,011**	**1,144**	**3,410**	**5,565**
Additions	102	44	293	439
Disposals	-	(2)	-	(2)
Cost of assets as of December 31, 2023	**1,113**	**1,186**	**3,703**	**6,002**
Additions	227	35	344	606
Cost of assets as of December 31, 2024	**1,340**	**1,221**	**4,047**	**6,608**
Depreciation and impairment losses				
Accumulated depreciation as of December 31, 2022[3]	**422**	**897**	**2,743**	**4,062**
Depreciation	32	46	333	411
Disposals	-	(2)	-	(2)
Accumulated depreciation as of December 31, 2023	**454**	**941**	**3,076**	**4,471**
Depreciation	33	41	211	285
Accumulated depreciation as of December 31, 2024	**487**	**982**	**3,287**	**4,756**
Book value[2]:				
As of December 31, 2022[3]	**589**	**247**	**667**	**1,503**
As of December 31, 2023	**659**	**245**	**627**	**1,531**
As of December 31, 2024	**853**	**239**	**760**	**1,852**
Weighted average depreciation rate as of December 31, 2023	3.9%	14.4%	22.5%	
Weighted average depreciation rate as of December 31, 2024	4.0%	14.1%	21.9%	

B. Additional information

Depreciation rates are as follows:

Buildings	2%-4%
Leasehold improvements	7%
Office equipment and furniture	6%-25%
Vehicles	15%-20%
Computers, software usage rights and costs	20%-33%

(1) Installations, rights in leasehold and payments on account of some of the buildings and leasing rights, amounting to NIS 71 million (as of December 31, 2023: NIS 68 million) have yet to be recorded at the Land Registry Office in the name of the Bank or its subsidiaries.

(2) Includes amortized capitalized cost of independently developed computer software as of December 31, 2024 amounting to NIS 648 million (December 31, 2023: NIS 594 million; December 31, 2022: NIS 578 million). For more information about policy on software cost capitalization, see Note 1.D.9.

(3) Reclassified

Note 16 – Buildings and Equipment – continued

Reported amounts (NIS in millions)

C. Assets not used by the Group (depreciable balance):

	Consolidated	
	December 31	
	2024	2023
Not designated for sale	14	18
Includes – leased to others	6	10
Designated for sale	-	-

D. As of December 31, 2024, the Bank Group has an obligation to acquire and refurbish buildings, amounting to NIS 30 million (December 31, 2023 – NIS 72 million).

E. In 2017, the Bank acquired land in order to concentrate, in as much as possible, the Bank's headquarters units in a single central site, in Lod. The acquisition cost amounted to NIS 27 million.

F. Information with respect to leases

Expenses with respect to leases:

	2024	2023	2022
Total expenses with respect to leases	**111**	**117**	**146**

Additional information about leases:

	2024	2023	2022
Capital gain from sale and lease-back transactions, net	-	-	233
Cash flow with respect to current operations with respect to operational leases	108	119	146
Right-to-use assets recognized with respect to new operational leases	17	94	296
Weighted average remaining term (in years)	5.5	5.4	4.9
Weighted average discount rate	1.7	1.5	1.4

Non-capitalized cash flows and liabilities with respect to operational leases, by term to maturity:

	As of December 31, 2024		As of December 31, 2023	
	Non-capitalized cash flows	Liability with respect to lease	Non-capitalized cash flows	Liability with respect to lease
Up to 1 year	94	93	99	99
Over 1 year to 2 years	71	70	86	84
Over 2 years to 3 years	66	64	70	68
Over 3 years to 4 years	63	59	66	62
Over 4 years to 5 years	60	56	61	57
Over 5 years	388	322	447	371
Total	**742**	**664**	**829**	**741**

Note 17 – Other Assets

Reported amounts (NIS in millions)

	December 31	
	2024	**2023**
Deferred taxes receivable, net[(1)]	2,403	2,414
Assets with respect to operations in MAOF Clearinghouse	3,774	40
Excess of advance income tax payments over current provisions	374	325
Revenues receivable	157	115
Issuance expenses for bonds and subordinated notes[(2)]	136	130
Right-to-use asset with respect to operational lease[(3)]	659	739
Other receivables and debit balances	684	685
Total other assets	**8,187**	**4,448**

(1) For further details, see Note 8.

(2) For more information about bonds and subordinated notes see Note 20.

(3) For more information about right-to-use asset with respect to operational lease, see Note 16.

Note 18 – Deposits from the Public

As of December 31

Reported amounts (NIS in millions)

A. Deposit types by location solicited and depositor type

	2024	2023
In Israel		
On-call		
Non-interest-bearing	80,956	76,907
Interest-bearing	37,375	32,926
Total on-call	**118,331**	**109,833**
Term deposits	258,026	236,499
Total deposits in Israel[1]	**376,357**	**346,332**
Outside of Israel		
On-call		
Non-interest-bearing	440	424
Interest-bearing	673	130
Total on-call	**1,113**	**554**
Term deposits	15,913	11,667
Total deposits overseas	**17,026**	**12,221**
Total deposits from the public	**393,383**	**358,553**
(1) Includes:		
Deposits from individuals	**164,434**	**160,755**
Deposits from institutional investors	**93,393**	**78,904**
Deposits from corporations and others	**118,530**	**106,673**

b. Deposits from the public by size

	2024	2023
Maximum deposit (NIS in millions)		
Up to 1	108,574	105,025
Over 1 to 10	95,547	93,024
Over 10 to 100	45,023	45,648
Over 100 to 500	36,198	37,466
Above 500	108,041	77,390
Total	**393,383**	**358,553**

Note 19 – Deposits from Banks

As of December 31

Reported amounts (NIS in millions)

	December 31	
	2024	**2023**
In Israel		
Commercial banks:		
On-call deposits	1,384	876
Term deposits	724	914
Acceptances	157	94
Central banks:		
Term deposits	310	2,677
Outside of Israel		
Commercial banks:		
On-call deposits	20	10
Term deposits	4	-
Total deposits from banks	**2,599**	**4,571**

Note 20 – Bonds and subordinated notes

As of December 31

Reported amounts (NIS in millions)

	Average maturity in years [1]	Internal rate of return[2]	December 31 2024	2023
Bonds and subordinated notes not convertible into shares:				
In Israeli currency – non-linked				
Bonds	1.08	2.33%	6,309	7,582
Subordinated notes[3]	-		-	92
In Israeli currency – CPI-linked				
Bonds	3.54	1.20%	24,944	24,010
Subordinated notes[3]	3.99	5.29%	3,423	3,052
In foreign currency – USD				
Subordinated notes[3]	1.29	3.10%	2,204	2,192
Bonds and subordinated notes convertible into shares:				
In Israeli currency – CPI-linked				
Subordinated notes[3]	0.49	6.15%	36	142
Total bonds and subordinated notes	**3.02**	**1.82%**	**36,916**	**37,070**

(1) Average maturity is the average of the repayment periods, weighted by the flows discounted according to the internal rate of return.
(2) Internal rate of return is the interest rate used to discount the projected flow of payments to the carrying value in the financial statements.
(3) Upon liquidation, the subordinated notes issued by the Bank and included under this item are repayable after all other liabilities.

A. Mizrahi Tefahot Issue Company, Ltd. (hereinafter: “the Company”), a company wholly-owned and controlled by the Bank, issued to the public in 2024 CPI-linked pursuant to prospectus, contingent bonds and subordinated notes for NIS 6.0 billion and non-linked commercial paper for NIS 2.2 billion, and deposited the proceeds in the Bank earmarked for its day-to-day activities.

On June 5, 2024, Tefahot Issuance issued a series of CPI-linked bonds (Series 64), a series of contingent subordinated notes (Series 69) and commercial papers (Series 3), NIS-denominated bearing variable interest. Bonds (Series 64) were issued by way of expansion of a traded series, with par value of NIS 1.7 billion. Contingent subordinated notes (Series 69) were issued by way of expansion of a traded series with par value of NIS 0.6 billion, and the commercial papers (Series 3) were issued with par value of NIS 2.2 billion. Total gross consideration received by the company in public offering of bonds (Series 64), contingent subordinated notes (Series 69) and commercial papers (Series 3) amounted to NIS 4.5 billion.

On November 27, 2024, Tefahot Issuance issued a series of CPI-linked bonds (Series 70) and a series of contingent subordinated notes (Series 71). A new series of bonds (Series 70) was issued with par value of NIS 2.8 billion. A new series of contingent subordinated notes (Series 71) were issued with par value of NIS 0.9 billion. The gross consideration received by the Company in public offering of bonds (Series 70) and contingent subordinated notes (Series 71) amounted to NIS 3.7 billion.

On December 23, 2024, the Company executed full early repayment of subordinated notes (Series 50) with a par value of approx. NIS 1.1 billion.

On January 30, 2025 - subsequent to balance sheet date - Tfahot Issuance issued Commercial Papers (Series 4) at par value of NIS 2.3 billion and a series of Bonds (Series 52) at par value of approx. NIS 2.5 billion by way of expansion. The gross consideration received by Tfahot Issuance in the public offering of the Commercial Papers (Series 4) and the Bonds (Series 52) amounted to NIS 4.8 billion.

Note 20 – Bonds and subordinated notes – Continued

As of December 31

Reported amounts (NIS in millions)

B. The Bank has contingent convertible subordinated notes (CoCo) with loss-absorption provisions through principal write-off. These notes qualify for recognition as Tier II equity pursuant to Basel III provisions. The notes include loss-absorption provisions if the Bank's Tier I capital should drop below 5% or in case of another event leading to non-sustainability of the Bank, in conformity with the Supervisor of Banks' decision. In such case, the notes would be partially or completely written off.
Should the Tier I capital ratio exceed the minimum required ratio, the Bank may announce a write-off of principal, in whole or in part. Rating agency Standard & Poor's Ma'alot rated the contingent subordinated notes ilAA-.
In December 2024, further to the Supervisor of Banks' approval, Tefahot Issuance executed early repayment of contingent subordinated notes (CoCo) (Series 50, recognized by the Supervisor of Banks as Tier II capital of the Bank), at par value of NIS 1.1 billion.

In June 2024, Tefahot Issuance issued - by way of expansion of a traded series - a series of contingent subordinated notes (CoCo) (Series 69), CPI-linked, amounting to NIS 0.6 billion par value, for NIS 0.6 billion.

In December 2024, Tefahot Issuance issued a new series of contingent subordinated notes (CoCo) (Series 71), CPI-linked, amounting to NIS 0.9 billion par value, for NIS 0.9 billion.

Note 21 – Other Liabilities

Reported amounts (NIS in millions)

	December 31	
	2024	**2023**
Provision for deferred taxes, net(1)	274	234
Excess current reserves over advance income tax payments	29	37
Excess of provision over funding severance pay, retirement and pension(2)	1,810	1,862
Liabilities with respect to operations in MAOF Clearinghouse	3,774	6
Unearned revenues	92	84
Deferred credit balance from acquisition of Union Bank	177	413
Accrued expenses	1,323	1,439
Provision for vacations and long- service bonus	294	285
Guarantees payable	183	158
Provision for doubtful debts for off-balance sheet items	245	201
Payables for credit card operations	2,769	2,530
Market value of securities sold short	1,470	1,681
Liabilities with respect to operational leases(3)	661	741
Other payables and credit balances	1,743	2,198
Total other liabilities	**14,844**	**11,869**

(1) For further details, see Note 8.
(2) For more information see Note 22 "Employee rights".
(3) For more information about liability with respect to operational leases, see Note 16.

Note 22 – Employees' Rights

A. Description of benefits

1. Below is a summary of the terms of office and employment of the current Chairman of the Board of Directors, Mr. Avraham Zeldman.

   On August 27, 2024, the General Meeting of Bank shareholders approved, in line with the resolution by the Board of Directors and after approval by the Remuneration Committee, the terms of office and employment of Mr. Avraham Zeldman regarding his term in office as the Chairman of the Bank's Board of Directors, which commenced on June 16, 2024, including the Bank's engagement in an employment agreement with the Chairman, whose effective date is June 16, 2024.

   Mr. Zeldman's terms of office and employment are in line with the Bank's revised remuneration policy for 2024-2026. This, among other things, noting the Remuneration of Officers in Financial Corporations Law (Special Permission and Non-allowance of Expenses for Tax Purposes with Respect to Excessive Remuneration), 2016 ("the Executive Remuneration Law") and the Supervisor of Banks' directives.

   The employment period in accordance with the approved employment agreement (the "Employment Agreement") starts on June 16, 2024, and it will be renewed automatically (whenever the Chairman of the Board of Directors will be reappointed as a Bank director), subject to the Supervisor of Banks' approval of his service as a director and as the Chairman of the Board of Directors, and subject to and in accordance with the provisions of the law and the provisions of the Employment Agreement (the "Employment Period").

   Each of the parties may terminate the Employment Agreement at any time and for any reason by giving a six-month advance notice.

   The Bank may waive such notice period, in whole or in part, and terminate employment of the Chairman of the Board of Directors; in such case, the Bank will pay to the Chairman of the Board of Directors salary for the portion of the advance notice period for which the Bank waived the Chairman's work; payment will be calculated based on the monthly salary plus the value of the employer's share in contributions to retirement fund, severance pay and study fund.

   The Chairman of the Board of Directors will be entitled to monthly gross salary of NIS 215,000 for his work. This salary is fully linked to changes in the Consumer Price Index based on the index in respect of May 2024 and the index known on the payment date of the relevant salary.

   In accordance with the service and employment terms of the Chairman of the Board of Directors, the Bank will pay the Chairman of the Board of Directors an additional fixed renumeration component amounting to two monthly salaries per year, and a proportionate share for a part of a year (based on the salary paid in December of the year in respect of which the renumeration is paid); with respect to this additional fixed remuneration component, the Bank would make all statutory payments and contributions.

   The Bank will provide to the Chairman of the Board of Directors a budget equal to 15.83% for contributions towards provident fund and severance pay payable by the Bank (7.5% for provident fund and 8.33% for severance pay).

   The Chairman of the Board of Directors is also eligible to employer contributions to a study fund at 7.5% of the salary.

   Should the Chairman of the Board of Directors request, from time to time, the Bank would update the monthly salary of the Chairman of the Board of Directors, subject to required adjustments and changes to payment of associated expenses, so that any increase or decrease in the salary, as the case may be, would be against concurrent decrease or increase (as the came may be) in associated expenses and vice versa (provided that the total cost of employment of the Chairman would remain unchanged, including the tax cost to the Bank) all subject to statutory provisions and subject to the maximum remuneration allowed by the Executive Remuneration Law and the statutory rate of contributions to severance pay and provident funds.

   Upon approval of the terms of office and employment of the Chairman of the Board of Directors by the Remuneration Committee and by the Board of Directors, the total maximum remuneration which the Bank may have paid to the Chairman of the Board of Directors (subject to obtaining statutory approvals), pursuant to Section 2(b) to the Executive Remuneration Law, amounted to NIS 4,096 thousand per annum (for this matter, any remuneration for which expenses are not expected pursuant to GAAP and contribution towards severance pay and provident funds by law would not be taken into account).

Note 22 – Employee Rights – continued

The total annual renumeration (excluding contributions to severance pay and provident funds as required by law) of the Chairman of the Board of Directors shall not exceed, under no circumstances, the renumeration cap allowed under Section 2(B) to the Executive Remuneration Law or any other law (the "Allowed Renumeration Cap"). Should the total annual renumeration (excluding contributions to severance pay and provident funds as required by law) of the Chairman of the Board of Directors for any year exceed the Allowed Renumeration Cap (the "Deviation"), the Deviation amount will be deducted from the total renumeration paid to the Chairman of the Board of Directors for that year. It is hereby clarified that since the expense with respect to cost of salary to be incurred by the Bank, directly or indirectly, in the tax year with respect to the Chairman of the Board of Directors would exceed the "Maximum Payment", as defined in Section 4 of the Executive Remuneration Law, part of the remuneration payable to the Chairman of the Board of Directors would not be tax deductible for the Bank pursuant to provisions of the law.

Upon termination of employment pursuant to the Employment Agreement, the Bank will pay to the Chairman of the Board of Directors, among other things, an acclimation bonus in exchange for non-competition, equal to up to three (3) monthly salaries (excluding relating benefits). In accordance with the Bank's Renumeration Policy (commencing on January 1, 2024), the bonus will accrue during the first two years of his service as the Chairman of the Board of Directors (one month upon commencement of service, a further month after one year and a further month after the second year); it will be paid to the Chairman of the Board of Directors upon termination of his service in accordance with his years of service in his role: Service of up to one year (inclusive) - one monthly salary; service of one to two years (inclusive) - two (2) monthly salaries; service of more than two years - 3 monthly salaries. It is clarified that the said acclimation bonus will be deemed part of the Chairman of the Board of Directors' fixed renumeration component.

2. Below is a summary of the terms of office and employment of the former Chairman of the Board of Directors, Mr. Moshe Vidman.

Mr. Moshe Vidman served as Chairman of the Bank's Board of Directors, in a full-time position equivalent from December 1, 2012 through June 15, 2024.

On February 14, 2017, the General Meeting of Bank shareholders approved, in line with the resolution by the Board of Directors and after approval by the Remuneration Committee, the terms of office and employment of Mr. Vidman as Chairman of the Bank's Board of Directors in line with a new officer remuneration policy, also approved by the General Meeting on said date, which was made to conform to provisions of the Remuneration of Officers in Financial Corporations Law (Special Permission and Non-allowance of Expenses for Tax Purposes with Respect to Excessive Remuneration), 2016 ("the Executive Remuneration Law") and following revisions to Proper Conduct of Banking Business Directive 301A on remuneration ("the new remuneration policy").

In conformity with the amended employment agreement, the former Chairman of the Board of Directors was entitled to monthly salary of NIS 189,660. This salary is fully linked to changes in the Consumer Price Index. The Bank provided to the Chairman of the Board of Directors a budget equal to 14.83% for contributions towards provident fund, retirement fund and severance pay payable by the Bank (6.5% for provident fund and 8.33% for severance pay). In addition, the former Chairman of the Board of Directors was also eligible to employer contributions to a study fund at 7.5% of the salary. These amounts were contributed to provident / pension / study funds as selected by the former Chairman of the Board of Directors.

Upon approval of the terms of office and employment of the former Chairman of the Board of Directors by the Remuneration Committee and by the Board of Directors, the total maximum remuneration which the Bank may have paid to the former Chairman of the Board of Directors (subject to obtaining statutory approvals), pursuant to Section 2(b) to the Executive Remuneration Law, amounted to NIS 2,746 thousand per annum (for this matter, any remuneration for which expenses are not expected pursuant to GAAP and contribution towards severance pay and provident funds by law would not be taken into account).

Pursuant to the terms of employment and office of the former Chairman of the Board of Directors, should the maximum remuneration pursuant to the Executive Remuneration Law, including pursuant to Section 2(b) of the Law, allow this, the Bank would pay the former Chairman of the Board of Directors an additional fixed remuneration component equal to up to two months' salary (based on the salary for December of that year). With respect to this additional fixed remuneration component, the Bank would make all statutory payments and contributions as well as contribution towards severance pay and provident funds by law.

Note 22 – Employee Rights – continued

Since the expense with respect to cost of salary to be incurred by the Bank, directly or indirectly, in the tax year with respect to the Chairman of the Board of Directors would exceed the "Maximum payment", as defined in Section 4 of the Executive Remuneration Law, part of the remuneration payable to the former Chairman of the Board of Directors would not be tax deductible for the Bank pursuant to provisions of the aforementioned Section 4.

Upon termination of employment pursuant to the amended employment agreement, the Bank will pay to the former Chairman of the Board of Directors an acclimation bonus in exchange for non-competition, equal to three monthly salaries ("Acclimation Bonus for the Former Chairman of the Board of Directors").

The amended employment agreement clarifies that the Acclimation Bonus payable to the former Chairman of the Board of Directors, as noted above, is the only acclimation bonus to which the former Chairman of the Board of Directors would be entitled upon termination of the employment term pursuant to the amended employment agreement.

Furthermore, upon termination of employment pursuant to the amended employment agreement, the Bank would pay the former Chairman of the Board of Directors the retirement bonus to which the Chairman is eligible pursuant to the Previous Employment Agreement. for the employment term from December 1, 2012 to November 30, 2015, equal to 150% of the former Chairman's final salary, according to the Previous Employment Agreement for 2012-2015, multiplied by the number of years in office (three years), in conformity with the Previous Employment Agreement for said period ("Retirement Bonus for the Former Chairman of the Board of Directors").

Note that the cost of the Retirement Bonus for the former Chairman of the Board of Directors and Acclimation Bonus for the former Chairman of the Board of Directors, payable to the former Chairman of the Board of Directors, as noted above, has been fully provided for on the Bank's financial statements prior to the end of the transition period for the Executive Remuneration Law.

Should the former Chairman of the Board of Directors be eligible for severance pay, pursuant to the Severance Pay Law, 1963 ("the Severance Pay Law") and should the amount accrued in the provident fund with respect to Bank contributions towards severance pay (8.33%) and all accrued returns as of the termination date and as reported by the provident fund, be lower than the Severance Pay Amount, as defined in the Severance Pay Law, gross (hereinafter: "statutory severance pay"), then the aforementioned Retirement Bonus for the former Chairman of the Board of Directors, in whole or as required, will be on account of the statutory severance pay; should the amount accrued in the provident fund plus the Retirement Bonus for the former Chairman of the Board of Directors amount together be lower than the statutory severance pay – then the Bank will make up the difference up to the statutory severance pay.

Mr. Moshe Vidman ended his term in office as Chairman of the Board of Directors on June 15, 2024; he continues serving only as a director in the Bank as from June 16, 2024.

3. On October 15, 2020, the General Meeting of Bank shareholders approved, in line with the resolution by the Board of Directors and after approval by the Remuneration Committee, the terms of office and employment of Mr. Moshe Lari as Bank President & CEO (hereinafter: "President & CEO").

   The Bank President & CEO is entitled to gross monthly salary of NIS 230,000. This salary is fully linked to changes in the Consumer Price Index ("Salary"). Notwithstanding the foregoing, in case of decrease in the CPI, the Salary would not be reduced accordingly. The Bank provides to the Bank President & CEO a budget of 15.33% for Bank contributions towards provident, pension and severance pay funds, to be transferred in whole or in part and as the case may be, to one or more provident funds as selected by the Bank President & CEO and in conformity with the cumulative conditions set forth in Appendix D to the report convening the General Meeting, dated August 27, 2020.

   The Bank President & CEO is also eligible to employer contributions to a study fund of the former's choice at 7.5% of the Salary.

   Upon approval of the terms of office and employment of the Bank President & CEO by the Remuneration Committee and by the Board of Directors, the total maximum remuneration which the Bank may have paid to the Bank President & CEO (subject to obtaining statutory approvals), pursuant to Section 2(b) of the Remuneration of Officers in Financial Corporations Law (Special Permission and Non-allowance of Expenses for Tax Purposes with Respect to Excessive Remuneration), 2016 (hereinafter: "the Executive Remuneration Law") amounted to NIS 3,456 thousand per annum and severance pay and provident funds by law.

Note 22 – Employee Rights – continued

Upon termination of employment, the Bank will pay to the Bank President & CEO an acclimation bonus in exchange for non-competition, equal to six monthly salaries (excluding social benefits), as they were immediately prior to their appointment to Bank President & CEO. He would also be entitled to social benefits with respect to this amount (to be accrued over the first two years in office as Bank President & CEO) (all these amounts jointly: "Acclimation Bonus for the President & CEO").

The Remuneration Committee and the Board of Directors may award to the Bank President & CEO an additional acclimation bonus amounting to the difference between the Acclimation Bonus for the President & CEO and an amount equal to six salaries, as they may be at that time, plus social benefits with respect thereto, all subject to the maximum allowed by the Executive Remuneration Law.

Furthermore, upon termination of employment, the Bank would pay to the Bank President & CEO a retirement bonus equal to 150% of their monthly salary for December 2016 multiplied by the number of years of service to the Bank through 2016.

The Remuneration Committee and the Board of Directors may, at their own discretion, award to the Bank President & CEO performance-based remuneration – a monetary bonus not to exceed three salaries ("the maximum bonus") or part thereof for part of the bonus year. Notwithstanding the foregoing, should the Remuneration Committee and the Board of Directors resolve that the performance-based bonus awarded for a given year to officers (other than the Bank President & CEO or Board members) would also include equity-based remuneration, they may resolve, at their own discretion, that the performance-based remuneration to be awarded to the Bank President & CEO for the bonus year would constitute, in whole or in part, equity-based remuneration. The value of equity-based remuneration to be awarded to the Bank President & CEO for that bonus year (if awarded) would not exceed (on aggregate 100% of the maximum bonus.

Eligibility of the Bank President & CEO for any performance-based remuneration, should it be awarded, would be contingent on the Bank's total capital adequacy ratio and Tier I capital adequacy ratio, in conformity with the Bank's annual financial statements for the bonus year, would not be lower than the minimum ratios stipulated by Bank of Israel directives.

The variable remuneration to be awarded to the Bank President & CEO would be subject to restitution provisions as per Section 6.10 of the Bank's remuneration policy. Such restitution provisions would not apply to half of the acclimation bonus pursuant to the terms of employment of the Bank President & CEO, prior to being appointed Bank President & CEO, which constitutes variable remuneration (due to transitional provisions of the Supervisor of Bank's directive with regard to no impact to previously accrued rights).

Either party may announce discontinuation of employment at any time, for any reason and with no need to justify their position to the other party, subject to providing to the other party six months' advance notice.

During the early notification period, the Bank President & CEO would be required to work as usual and in full, but the Bank may waive such period, in whole or in part, and may terminate the work of the Bank President & CEO. In such case, the Bank will pay to the Bank President & CEO for the portion of the notice period in which the Bank waived the Bank President & CEO's work – in an amount equal to the salary for the waived period plus an amount equal to Bank contributions to provident fund, retirement fund, severance pay and study fund as stated above.

For more information about the revised officer remuneration policy at the Bank for 2024-2026, as from January 1, 2024, see section 4 below.

4. Officer remuneration policy

On December 20, 2023, the General Meeting of Bank shareholders approved, after approval by the Board of Directors and recommendation by the Remuneration Committee, the revised officer remuneration policy at the Bank (hereinafter "officer remuneration policy"), effective for 2024-2026 as from January 1, 2024.

The remuneration policy incorporates provisions of the Companies Law, 1999, the Remuneration of Officers in Financial Corporations Law (Special Approval and Non-allowance of Expenses for Tax Purposes with Respect to Excessive Remuneration), 2016 ("the Executive Remuneration Law") and Proper Conduct of Banking Business Directive A301 "Remuneration" with general principles which the Bank's Board of Directors, after recommendations by the Remuneration Committee, saw fit to adopt with regard to officer remuneration at the Bank with due attention, inter alia, to the Bank's strategic plan for 2021-2025 and to current employment terms of officers at the Bank.

Note 22 – Employee Rights – continued

The remuneration of officers, other than Board members, will include two major components: monthly salary (and associated components) and performance-based variable remuneration (based on the Bank's performance targets, on individual performance benchmarks and including discretionary remuneration), to include a monetary bonus and which may include long-term equity-based remuneration. The remuneration package may also include remuneration related to retirement.

The mid-term remuneration (annual bonus) and the long-term remuneration are designed to align the interests of officers with those of the Bank and to strengthen the link between overall Bank performance and the officer's contribution to achievement of such performance to the officer's remuneration, in line with the Bank's risk profile.

In conformity with the remuneration policy, the maximum variable remuneration shall not exceed 100% of the fixed remuneration, except under special conditions, where the maximum variable remuneration may not exceed 200% of the fixed remuneration. The Bank’s Board of Directors also stipulated that the maximum variable remuneration for officers who are gatekeepers would not exceed 80% of fixed remuneration and that such officers would be eligible for an additional fixed component (equal to two months' salary, which constitutes fixed remuneration pursuant to the remuneration policy).

In conformity with the remuneration policy, the maximum remuneration as defined in the Executive Remuneration Law (i.e excluding payments for severance pay and provident funds by law) for the Chairman of the Board of Directors and the Bank President & CEO would be less than 35 times the lowest salary of any full-time Bank employee, including contractors.

As for other officers (other than the Bank President & CEO and Board members), the Remuneration Committee and the Board of Directors may award annual remuneration in excess of that specified in Section 2(a) of the Executive Remuneration Law, provided that it does not exceed the maximum remuneration allowed pursuant to Section 2(b) of the Executive Remuneration Law, excluding severance pay contributions and provident fund contributions by law).

5. Officers are eligible upon their retirement to an acclimation grant equal up to six months’ salary, for which a provision was recorded in the financial statements.

6. Remuneration policy for all Bank employees

   In December 2023, the Bank's Board of Directors approved, after receiving the recommendation from the Remuneration Committee, a revised remuneration policy for three (3) years for all Bank employees, other than officers who are subject to the revised remuneration policy for Bank officers, as noted above (hereinafter: "Remuneration policy for all Bank employees").

   The remuneration policy for all Bank employees discusses remuneration terms of key employees at the Bank as defined in Proper Conduct of Banking Business Directive 301A and those of other managers at the Bank, and other Bank employees for 2024-2026. According to the remuneration policy for other Bank employees, the terms of office or employment of all Bank employees include fixed and variable remuneration, as customary at the Bank, as well as retirement terms and any other benefit, payment or commitment to make a payment, provided with respect to the aforementioned office or employment.

   The pay of most Bank employees is set based on collective bargaining agreements.

7. Signing of salary agreement with the executives and authorized signatories organization

   On July 22, 2024, a special collective bargaining agreement was signed between the Bank and the Bank’s executives and authorized signatories organization (hereinafter – “the Executives Organization”) regarding pay and working conditions for 2023-2027 after it had been approved by the bank’s certified organs, and while it had been agreed within its framework, that most of its terms in the matter of salary, advancement and end of employment would continue to apply in 2028 as well. Highlights of the agreement are as follows:

   - Managerial Flexibility and Encouraging Excellence

     Various agreements were reached with the Executives Organization in order to increase the bank’s managerial flexibility that allows the continued strengthening of the excellence value, along side strengthening the status of the executives managing workers. Thus, among other things, the following matters were agreed upon:
   - Increasing the differential component rate at the expense of the fixed component in the yearly executive salary bonus.
   - The ability to transfer executives form there position to non-managerial positions, under certain circumstances.
   - The option to terminate due to unsuitability, at the Bank’s initiative, up to 25 executives classified as low contribution executives, during the term of this agreement.

Note 22 – Employee Rights – continued

- Salaries and Bonuses
- The executives shall be given a monthly pay increase of 1,500 NIS, in effect from January 1, 2023, and an additional sum for branch managers.
- - The Bank shall grant executives who have begun work prior to December 31, 2023 (and who still work at the Bank) a one-time bonus equal to 70% of three gross salaries as defined in this matter in the agreement) less an advance payment paid in October 2023 (hereinafter: “the Bonus”) and grant a bonus

equal to one half of the above total, to executives who began working in the period between January 1, 2024 and May 31, 2024 (and who still work at the Bank).

- Considering the expected transition of Bank headquarters employees to the new Bank campus in Lod, the parties agreed that work conditions in the new campus would be determined by the Bank after consulting the Executives Organization. The Executives Organization shall have no claims whatsoever with respect to the transition to the new campus and working conditions there.
- It was agreed that up until December 31, 2027 there will be full and absolute industrial silence (and in the additional year, 2028, industrial silence shall be maintained on the subjects of the agreement that will continue to apply, as noted above).

Concurrently with signing of this agreement, the Bank and the Executives Organization signed an agreement to institute a voluntary retirement plan, the terms of which are similar to the terms in previous retirement plans, effective through December 31, 2028 (hereinafter: "the Retirement Program"). In accordance with the Retirement Plan, executives who have agree to retire shall be entitled to a bridge pension or added compensation at a sum constituting 150% of the multiple of determining salaries during the work years (all according to their age and seniority). In addition, the Bank shall be entitled to approve various retirement benefits for up to 30 executives during the retirement plan period).

The Bank's financial statements include the effect of the payroll agreement. This agreement has no material impact on the Bank's financial statements in 2024 and should have no material impact in subsequent years either.

8. Signing of special collective bargaining agreement with Mizrahi Tefahot Employee Union

On June 26, 2023, the Bank and Mizrahi Tefahot Employee Union signed a special collective bargaining agreement for 2022-2026.

Highlights of this agreement regarding salary and bonuses are as follows:

- An additional NIS 1,000 was paid on top of each employee's monthly salary, as well as an additional NIS 200 for branch employees, for the period as from January 1, 2022. These amounts would be linked to the Consumer Price Index as from January 1, 2023.
- Additional pay to employees in certain roles, such as Team Leader and Authorized Signatory.
- The parties agreed that the base salary would be increased by 3% in each year between 2023-2024 and by 2% in each year between 2025-2026.
- Social benefit contributions were revised so as to expand the base salary for retirement contributions and, in addition, the base salary for contributions to study funds was made identical to that for retirement contributions.

- On September 1, 2023, the Bank paid a bonus to employees hired prior to January 1, 2022 (who are still employed by the Bank), whose amount equals two 13th monthly salaries; employees hired on or after January 1, 2022 (who are still employed by the Bank) paid a bonus equal to one 13th monthly salary.

Various understandings were reached to enhance the Bank's managerial flexibility and to promote excellence, especially in consideration of current challenges, including changes in the labor market, innovation in the banking domain and to support achievement of the Bank's strategic targets. These include, *inter alia*:

- Increase in number of individual employment contracts at Bank headquarters.
- Potential individual award of pay increase to headquarters employees, subject to certain conditions.
- Extension of the trial period for a specified number of employees, up to 5 years.
- Option to reassign employees at the Bank's discretion.
- Option to terminate up to 70 employees, initiated by the Bank due to unsuitability of employees classified as making a low contribution, during the term of this agreement.

Note 22 – Employee Rights – continued

- Considering the expected transition of Bank headquarters employees to the new Bank campus in Lod, the parties agreed that work conditions (including with respect to employee welfare) in the new campus would be determined by the Bank exclusively, after consulting the employee union. The employee union shall have no claims whatsoever with respect to transition to the new campus.
- Full and complete labor relations would be maintained throughout the term of the agreement.

Concurrently with signing of this agreement, the Bank and the employee union signed an agreement to institute a voluntary retirement program, effective through December 31, 2027. Terms and conditions of this voluntary retirement program are essentially similar to those of the retirement program concluded on December 31, 2021.

This agreement did not have a material impact on the Bank's financial statements in 2023 and 2024 and the Bank does not expect it to have a material impact in subsequent years either.

9. Labor and payroll agreements at the Technology Division

Employment terms of employees of Mizrahi Tefahot Technology Division Ltd. (hereinafter: "the Technology Division") are arranged in the labor constitution that was signed in 1989 and in a series of agreements signed by the Technology Division Employee Council, the Labor Union and the Technology Division over the years.

Employees of the Technology Division have their pay linked to the pay for Bank employees.

On February 4, 2020, a special collective bargaining agreement was signed by the Mizrahi-Tefahot Technology Division Ltd., the New General Labor Union and the Division Employee Council of Mizrahi-Tefahot Technology Division Ltd., whereby the parties agreed to apply the managers' agreement signed by the Bank on December 20, 2018 and the arbitration verdict received by the Bank on January 28, 2019, as stipulated by the company's collective bargaining agreements. This resolved all claims made by the Labor Union and by the Division Employee Council of Mizrahi-Tefahot Technology Division Ltd. on these matters. Negotiations on signing a new agreement are under way.

10. Some Bank employees who take early retirement, sometimes receive, upon retirement, higher amounts than their entitlement pursuant to the law and to agreements. Sometimes the Bank pays these employees a pension until they reach the full retirement age. According to the Supervisor of Banks' directive, an actuarial reserve with respect to these payments is included on the financial statements.

11. A small group of employees who retired in the past is entitled to a fixed monthly pension from the Bank. Employees who retired from the Bank prior to June 30, 1997 are entitled to pension payments from the Bank for certain salary components. Bank retirees are also eligible to receive non-pension benefits. The Bank’s liability for these payments is covered by provisions, based on an actuarial calculation.

12. Personal employment contracts have been signed with a group of senior employees, entitling them to a special bonus upon termination, under the circumstances prescribed in the agreements that could, in a few years’ time, reach seventeen months’ salary for certain employees with high seniority. These employees are entitled upon retirement to moneys and other rights accrued on their behalf in various funds as well as to advance termination notice three to six months in advance. The Bank has no intention to terminate any of these senior Bank employees. A provision was made in the financial statements in respect of the Bank’s undertaking regarding the said payments.

13. Long-service bonuses

Bank employees covered under collective bargaining agreements are entitled to special lump-sum bonuses upon attaining thirteen and eighteen years of service. A provision for these liabilities was recorded in the financial statements according to an actuarial calculation based on past experience and the likelihood that the employee will still be employed by the Bank on the vesting date.

Note 22 – Employee Rights – continued

14. Reserve with respect to tuition pay

    Bank employees under the collective bargaining agreement hired by August 16, 2017 are entitled to tuition reimbursement for biblical studies and for higher education, based on reimbursement percentage customary at the Bank. A provision for these liabilities was recorded in the financial statements according to an actuarial calculation based on past experience and the likelihood that the employee is still employed by the Bank.

15. Reserves with respect to long-service bonuses, tuition and voluntary retirement programs were made based on an actuarial calculation, with the discount rate based on the yield of Government bonds in Israel plus the average yield spread for corporate bonds rated AA (international rating scale) or higher upon the report date. For practical reasons, the spread would be determined by the difference between yields to maturity, by terms to maturity, for corporate bonds rated AA or higher in the USA – and yields to maturity, for the same terms to maturity, for US government bonds, all as of the reporting date.

    The calculation takes into account future real increase in pay of 3.5%.

    The provision with respect to voluntary retirement was calculated in conformity with the retirees' eligibility to have their pension linked to the Consumer Price Index.

16. Union Bank merger

    - Agreement between Igud Systems and Mizrahi Tefahot Technology Division

      On April 11, 2021, an agreement was signed (hereinafter: "the Agreement") between Igud Systems Ltd. (hereinafter: "Igud Systems") and Mizrahi Tefahot Technology Division Ltd. (hereinafter: "Technology Division") and the Employee Union of Igud Systems, which governs the onboarding of Igud Systems employees subject to the Agreement, as employees of the Technology Division, upon the operational merger between the Technology Division and Igud Systems, each one based on their employment status at Igud Systems immediately prior to the merger, and also governs the employment terms and conditions of Igud Systems employees upon onboarding in the Technology Division.

      On January 15, 2023, the merger of Union Systems Ltd. with and into the Mizrahi Tefahot Technology Division Ltd. was completed.

    - On March 30, 2023, two agreements were signed that govern matters of onboarding and assignment of regular employees and trainees at the former Union Bank, their onboarding conditions, principles for pay conversion, bonuses, insurance coverage, pension rights, representations of the Associations and provisions for transition and performance. The parties to the agreement are Mizrahi Tefahot Employees' Association and Managers' Association (one agreement with the Employees' Association at the Bank; and another – with the Manager's Association at the Bank), the Labor Union, the Association of Former Union Bank Employees and the Association of Former Union Bank Managers and Authorized Signatories.

17. Bank Yahav

    Bank Yahav has a defined benefit plan, funded and unfunded, with respect to all of its employees. The plan provides a defined benefit based on years of service and most recent salary.

    Bank Yahav's obligation to pay severance or retirement pay is primarily covered by current deposits based on the salary for pension purposes to official provident and pension funds in the name of the employees. Bank Yahav customarily makes up the difference, for employees eligible to receive severance pay, between the employee's most recent salary multiplied by their number of years in service and the amount accrued in their name in the aforementioned provident funds. Bank Yahav may not withdraw the funded amounts other than for severance payment.

    To some of its employees, Bank Yahav committed to transfer, upon termination of their employment for any reason, the severance pay component of recognized provident funds (pursuant to Section 14 of the Severance Pay Law). The Bank is not required to supplement the difference for these employees between the employee's most recent salary multiplied by their number of years in service and the amount accrued in their name in the aforementioned provident funds.

    On June 29, 2023, Bank Yahav signed a new collective bargaining agreement with employee representation which governs labor and remuneration for 2023-2027.

Note 22 – Employee Rights – continued

B. Liability amounts with respect to benefits by type:

	December 31	
	2024	2023
	NIS in millions	
Post-retirement benefits[1]		
Liability amount	192	195
Benefits post termination and prior to retirement[2]		
Liability amount	2,118	2,175
Fair value of plan assets	500	464
Excess liability over plan assets	**1,618**	**1,711**
Benefits prior to termination of employment[3]		
Liability amount	145	142
Excess liability included under Other Liabilities	**1,955**	**2,048**
Of which: With respect to overseas employee benefits	**5**	**4**

(1) Holiday gifts and other post-retirement employee benefits.
(2) Pension, severance pay and other benefits in defined-benefit plan, including balance of liability with respect to employees who have retired.
(3) Primarily jubilee bonus and tuition for current employees.

C. Defined benefit plans (pension, severance pay and other benefits)[1]

1. Obligations and funding status

1.1. Change in obligations with respect to expected benefit

	December 31	
	2024	2023
	NIS in millions	
Obligation with respect to expected benefit at start of period	2,370	2,399
Cost of service	68	58
Cost of interest	113	97
Actuarial loss (gain)	(56)	126
Benefits paid	(185)	(310)
Obligation with respect to expected benefit at end of period	**2,310**	**2,370**
Obligation with respect to cumulative benefit at end of period[2]	**1,033**	**2,152**

(1) Post-employment pre-retirement benefits and post-retirement benefits, including balance of liability with respect to employees who have retired.
(2) Excludes any assumptions with regard to level of future remuneration.

1.2. Change in fair value of plan assets and plan funding status

	December 31	
	2024	2023
	NIS in millions	
Fair value of plan assets at start of period	464	455
Actual return on plan assets	44	15
Deposits to plan by the Bank	9	7
Benefits paid	(17)	(13)
Fair value of plan assets at end of period	**500**	**464**
Funding status – net asset recognized at end of period	**500**	**464**

Note 22 – Employee Rights – continued

C. Defined benefit plans (pension, severance pay and other benefits)[1] – continued

1.3. Amounts recognized on the consolidated balance sheet

	December 31	
	2024	2023
	NIS in millions	
Amounts recognized under Other Liabilities	**1,810**	**1,906**

1.4. Amounts recognized under Other Comprehensive Income (Loss), before tax effect

	December 31	
	2024	2023
	NIS in millions	
Net actuarial loss	(181)	(244)
Total – recognized under Other Comprehensive Income	**(181)**	**(244)**

1.5. Plans for which the obligation with respect to cumulative and expected benefit exceeds plan assets

	December 31	
	2024	2023
	NIS in millions	
Obligation with respect to expected benefit	2,310	2,370
Obligation with respect to cumulative benefit	1,033	2,152
Fair value of plan assets	500	464

2. Expenses during the reported period

2.1. Net benefit cost components recognized in profit and loss

	For the year ended December 31		
	2024	2023	2022
	NIS in millions		
Under payroll and associated expenses			
Cost of service	68	58	83
Under other expenses			
Cost of interest	113	97	70
Expected return on plan assets	(26)	(24)	(20)
Deduction of non-allowed amounts:			
Net actuarial loss	25	12	62
Total under other expenses	**112**	**85**	**112**
Total benefit cost, net	**180**	**143**	**195**

Note 22 – Employee Rights – continued

2.2. Changes to plan assets and benefit obligation recognized under Other Comprehensive Income (Loss), before tax effect

	For the year ended December 31		
	2024	2023	2022
			NIS in millions
Net actuarial loss (gain) for the period	(77)	35	(455)
Amortization of actuarial loss(1)	(25)	(12)	(62)
Total – recognized under Other Comprehensive Income	**(102)**	**23**	**(517)**
Total benefit cost, net	**180**	**143**	**195**
Total recognized under benefit cost, net for the period and under Other Comprehensive Income	**78**	**165**	**(322)**

(1) Actuarial loss due to current changes in discount rates during the reported year would be amortized using the straight-line method over the remaining average term of service for employees expected to receive benefits over the plan term or, alternatively, over the average remaining term for receipt of benefits by employees. See also Note 1.D.13 to the financial statements.

3. Assumptions

3.1 Assumptions based on weighted average, used to determine the obligation with respect to benefit and to measure the benefit cost, net

3.1.1. Key assumptions used to determine the obligation with respect to benefit:

	December 31	
	2024	2023
		In %
Discount rate	2.56	2.16
Discount rate – CPI	2.50	2.46
Departure rate	2.98	2.65
Remuneration increase rate	3.50	3.50

3.1.2. Key assumptions used to measure benefit cost for the period (in %):

	December 31		
	2024	2023	2022
			In %
Discount rate	3.13	2.32	2.54
Expected long-term return on plan assets	3.82	3.55	3.27
Remuneration increase rate	3.50	3.50	3.50

3.2. Effect of change of 1 percentage point on obligation with respect to expected benefit, before tax effect:

	Increase by 1 percentage point		Decrease by 1 percentage point	
	December 31		December 31	
	2024	2023	2024	2023
Discount rate	(211)	(190)	258	233
Departure rate	211	124	(176)	(121)
Remuneration increase rate	100	109	(84)	(93)

Note 22 – Employee Rights – continued

4. Plan assets

4.1. Fair value composition of plan assets

Asset type		December 31				
		2024				2023
		Level 1	Level 2	Level 3	Total	Total
Cash and deposits with banks		21	-	-	21	23
Shares		104	4	-	108	92
Government assistance to legacy pension funds		-	11	-	11	10
Other		54	68	-	122	112
Bonds:	government	41	116	-	157	142
	Designated government	-	17	-	17	13
	corporate	26	2	36	64	72
Total		**246**	**218**	**36**	**500**	**464**

4.2. Fair value of plan assets by asset type and allocation target (in %)

Asset type		Allocation target	Percentage of plan assets	
		For year		As of December 31
		2025	2024	2023
Cash and deposits with banks		4	4	5
Shares		22	22	20
Government assistance to legacy pension funds		2	2	2
Other		24	24	24
Bonds:	government	32	32	30
	Designated government	3	3	3
	corporate	13	13	16
Total		**100**	**100**	**100**

5. Cash flows

5.1. Deposits to defined-benefit pension plan

Asset type	Allocation target	Actual deposits	
	For year		For the year ended December 31
	2025[(1)]	2024	2023
Deposits	7	7	7

(1) Estimated deposits expected to be paid into defined-benefit pension plans in 2025.

5.2 Cash flows – Benefits which the corporation expects to pay in future:

Year	NIS in millions
2025	160
2026	142
2027	133
2028	110
2029	103
2030-2034	462
2035 and beyond	1,127
Total	**2,237**

Note 23 – Share-based Payment Transactions

A. Stock option plan for the President & CEO

In conjunction with the 2022 option plan, approved by the Bank Board of Directors on May 24, 2022, the Bank President & CEO was allotted 38,409 options. Each option may be exercised for one Bank ordinary share of NIS 0.1 par value, subject to adjustments for bonus share distribution, rights issuance, share split or reverse-split, dividends distributions etc.

The options allotted with respect to 2022 may be exercised as from June 26, 2024. The exercise price for each option allotted to the Bank President pursuant to the plan is NIS 118.10 plus CPI linkage differentials, from the known CPI upon approval by the Board of Directors of the allotment of options to the President and until the known CPI upon the exercise and dividend adjustment date. Furthermore, the closing price cap was set at NIS 163, plus linkage differentials to the CPI, from the known CPI upon approval by the Board of Directors to the known CPI upon exercise.

For calculation of fair value as of approval of the option award by the General Meeting of Bank shareholders, as noted above, the following terms of the option plan were taken into account as well as annualized standard deviation of 23.61%, reflecting the standard deviation for a period of 8 years. The risk-free interest rate used to value the options was estimated at (0.48%).

Based on these assumptions, the average fair value of each option awarded to the Bank President pursuant to the option plan, as of the approval date of option award by the General Meeting of Bank shareholders, is NIS 13.33.

Accordingly, the theoretical benefit value of the options in this plan (the fair value), calculated in accordance with accounting standards, amounts to NIS 512 thousand.

In conjunction with the 2023 option plan, approved by the Bank Board of Directors on May 3, 2023, the Bank President & CEO was allotted 35,355 options. Each option may be exercised for one Bank ordinary share of NIS 0.1 par value, subject to adjustments for bonus share distribution, rights issuance, share split or reverse-split, dividends distributions etc.

The options allotted with respect to 2023 may be exercised as from June 13, 2025. The exercise price for each option allotted to the Bank President pursuant to the plan is NIS 114.88 plus CPI linkage differentials, from the known CPI upon approval by the Board of Directors of the allotment of options and until the known CPI upon the exercise and dividend adjustment date. Furthermore, the closing price cap was set at NIS 154.40, plus linkage differentials to the CPI, from the known CPI upon approval by the Board of Directors to the known CPI upon exercise.

For calculation of fair value as of approval of the option award by the General Meeting of Bank shareholders, as noted above, the following terms of the option plan were taken into account as well as annualized standard deviation of 23.54%, reflecting the standard deviation for a period of ten years. The risk-free interest rate used to value the options was estimated at 1.08%.

Based on these assumptions, the average fair value of each option awarded to the Bank President pursuant to the option plan, as of the approval date of option award by the General Meeting of Bank shareholders, is NIS 16.21.

The theoretical benefit value of the options in this plan (the fair value), calculated in accordance with accounting standards, amounts to NIS 573 thousand.

In conjunction with the 2024 option plan, approved by the Bank Board of Directors on May 29, 2024, the Bank President & CEO was allotted 48,904 options. Each option may be exercised for one Bank ordinary share of NIS 0.1 par value, subject to adjustments for bonus share distribution, rights issuance, share split or reverse-split, dividends distributions etc.

The options allotted with respect to 2024 may be exercised as from July 23, 2026. The exercise price for each option allotted to the Bank President pursuant to the plan is NIS 134 plus CPI linkage differentials, from the known CPI upon approval by the Board of Directors of the allotment of options to the President and until the known CPI upon the exercise and dividend adjustment date. Furthermore, the closing price cap was set at NIS 174, plus linkage differentials to the CPI, from the known CPI upon approval by the Board of Directors to the known CPI upon exercise.

For calculation of fair value as of approval of the option award by the Board of Directors, as noted above, the following terms of the option plan were taken into account as well as annualized standard deviation of 22.04%, reflecting the standard deviation for a period of ten years. The risk-free interest rate used to value the options was estimated at (4.5%).

Note 23 – Share-based Payment Transactions- continued

Based on these assumptions, the average fair value of each option awarded to the Bank President pursuant to the option plan, as of the approval date of option award by the General Meeting of Bank shareholders, is NIS 14.15.
Accordingly, the theoretical benefit value of the options in this plan (the fair value), calculated in accordance with accounting standards, amounts to NIS 692 thousand.
The options in each of the plans were allotted under the "Capital Gain" track, pursuant to the Section 102 of the Income Tax Ordinance. Therefore, any benefit arising to the Bank President from exercise of these options will be taxed at the capital gain tax rate applicable to the offerees upon exercise of the options. Therefore, the Bank would not be liable for wages tax with respect to the benefit arising to the Bank President from exercise of the options pursuant to the option plan. Furthermore, upon payment of tax with respect to this benefit by the Bank President, the Bank would not have any tax deductible expense with respect to the aforementioned options.
In 2024, the Bank President & CEO exercised 11,627 options from previous plans, at an exercise price of NIS 70.88[(1)]. The average share price upon exercise of options into shares in 2024 was NIS 131.50.
As of December 31, 2024, the Bank President & CEO had 122,668 options at an exercise price of NIS 122.33[(1)].

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(1) Plus linkage differentials and adjustment.

B. Stock option plan for employees

On May 29, 2024, the Bank's Board of Directors, after receiving approval by the Remuneration Committee, approved the offering of options to officers of the Bank (other than the Bank President & CEO and Bank Board members) and to other managers at the Bank and at Bank subsidiaries for 2024, pursuant to Section 15b(1)(a) of the Securities Law, as stated in the employee offering outline dated May 29, 2024, including approval of pools for option warrant issuance in 2024 (hereinafter: "the Employee Offering Memorandum" or "the Memorandum").
As resolved by the Board of Directors on May 29, 2024, the following option plans for 2024 were approved:

- Option plan A – up to 444,792 options A to be awarded to up to eight Bank officers who are not gatekeepers, exercisable for up to 102,251 Bank ordinary shares of NIS 0.1 par value each.
- Option plan B – up to 190,692 options B to be awarded to up to five Bank officers who are gatekeepers, exercisable for up to 43,837 Bank ordinary shares of NIS 0.1 par value each.
- Option plan C – up to 694,400 options C to be awarded to up to twenty eight key Bank employees and up to fourteen key employees at Bank subsidiaries, which have been approved for inclusion in this group, exercisable for up to 159,632 Bank ordinary shares of NIS 0.1 par value each.
- Option plan D – up to 812,800 options D to be awarded to up to fifty-nine managers employed by the Bank by individual contracts, and up to thirty seven other managers at the Bank and at Bank subsidiaries, which have been approved for inclusion in this group, exercisable for up to 186,851 Bank ordinary shares of NIS 0.1 par value each.
- Option plan E – Up to 1,456,200 options E to be awarded to up to two hundred and sixty-five managers employed by the Bank subject to collective bargaining agreements, and to up to one manager at Bank subsidiaries, exercisable into up to 334,759 Bank ordinary shares of NIS 0.1 par value each.

The number of exercise shares, as stated above, is the maximum number of shares arising from exercise of all options which may be issued pursuant to all plans. In case of dividend distribution, bonus share distribution, rights issuance, split or reverse split of share capital and re-structuring at the Bank, the adjustments shall be made as set forth in the Outline employee offering.
The options issued in the name of the Trustee on behalf of each officer or key employee, pursuant to option plans A, B or C would be in three equal lots, which may be exercised as from two years after: (1) The issuance date; (2) April 1, 2027; and (3) April 1, 2028, and each batch of options would expire 18 months after each of said dates.
All options issued pursuant to option plans D and E may be exercised in a single lot from the second anniversary of the issue date and would expire two years after the vesting date, as defined in the Memorandum.
An offeree's eligibility for options pursuant to option plans A-E above would be contingent on the Bank's total capital adequacy ratio and Tier I capital ratio for the award year, would not be lower than the minimum ratios stipulated by Bank of Israel directives.

Note 23 – Share-based Payment Transactions - continued

Moreover, eligibility for options shall be determined based on additional criteria, as set forth in the Outline.

The theoretical benefit value of the options in these approved lots, calculated in accordance with US accounting rules (ASC 718 "Share-based Payment"), amounts to NIS 50 million.

The theoretical lot value was recognized in Bank accounts over the vesting period, i.e. from the second quarter of 2024 through the end of the year.

The options were allotted under the "Capital Gain" track, pursuant to the Section 102 of the Income Tax Ordinance. Therefore, any benefit arising to the offerees from exercise of these options will be taxed at the capital gain tax rate applicable to the offerees upon exercise of the options. All other details of the plans and the outline of offering to employees (including the threshold conditions for eligibility for options, vesting and exercise periods of options and the Board of Directors' authority to reduce the number of options and provisions with regard to reimbursement of the monetary benefit) are described in the employee offering outline dated May 29, 2024.

Below are the assumptions used in calculating the fair value of a single option, as well as the resulting fair value per single option, for options awarded on May 29, 2024:

Exercise price	- NIS 134(1)
Risk-free interest rate	- 4.51% – 4.40%
Annualized standard deviation	- 22.04%

Option plan	**A**	**B**	**E**	**D**	**S**
Number of options (in thousands)	445	191	694	813	1,456
Term to expiration (in years)	3.64-5.35	3.64-5.35	3.64-5.35	4.13	4.13
Average fair value per single option	13.60	13.74	13.19	13.71	13.71
Total fair value (NIS in thousands)	6,049	2,620	9,159	11,145	19,965

(1) Plus linkage differentials and dividend adjustment.

Below is information on the number of stock options and their exercise price for options awarded on May 29, 2024:

	2024	
	Number of options	**Weighted average exercise price (in NIS)**
Outstanding at year start	-	-
Granted during the year(1)	3,598,884	134.00
Forfeited during the year	-	-
Exercised during the year	-	-
Outstanding at year end	3,598,884	134.00

(1) The weighted average fair value of stock options granted in 2024 was NIS 13.60.

Note 23 – Share-based Payment Transactions - continued

Set forth below are details regarding total outstanding stock options(1)(2)(3)(4)(5)(6):

	December 31, 2024		December 31, 2023		December 31, 2022	
Range of exercise prices (in NIS)	**130-140**	**99-120**	**99-120**	**70-80**	**99-120**	**70-80**
Number of stock options	3,598,884	6,619,246	7,653,890	302,071	6,685,098	916,045
Weighted average exercise price (in NIS)	134.00	115.38	114.50	70.92	108.82	71.35
Weighted average remaining contractual term (in years)	3.67	2.09	2.96	1.60	3.17	2.00
Of which vested:						
Number of stock options	-	2,251,867	245,067	38,400	-	133,123
Weighted average exercise price (in NIS)	-	117.60	99.36	71.23	-	71.24

Below is information about the number of stock options for all plans(1)(2)(3)(4)(5)(6):

	2024		2023		2022	
	Number of options	**Weighted average exercise price (in NIS)**	**Number of options**	**Weighted average exercise price (in NIS)**	**Number of options**	**Weighted average exercise price (in NIS)**
Outstanding at year start	7,955,961	112.85	7,601,143	104.30	6,301,406	85.86
Granted during the year	3,598,884	134.00	3,408,043	114.88	3,385,298	118.10
Forfeited during the year	27,508	-	13,003	-	19,750	-
Exercised during the year	1,309,207	100.64	3,040,222	93.78	2,065,811	71.17
Outstanding at year end	10,218,130	121.94	7,955,961	112.85	7,601,143	104.30

(1) On August 31, 2017, the Bank's Board of Directors approved allocation of 4,363,275 options to Bank officers. The weighted average fair value of stock options granted in 2019 was NIS 13.13. The weighted average share price upon exercise of options into shares during 2024 was NIS 138 (2023: NIS 114.53).

(2) On June 22, 2020, the Bank's Board of Directors approved allocation of 3,295,187 options to Bank officers. The weighted average fair value of stock options granted in 2020 was NIS 10.26. The weighted average share price upon exercise of options into shares during 2024 was NIS 136.66 (2023: NIS 116.62).

(3) On July 26, 2021, the Bank's Board of Directors approved allocation of 3,327,465 options to Bank officers. The weighted average fair value of stock options granted in 2021 was NIS 12.48. The weighted average share price upon exercise of options into shares during 2024 was NIS 139.82 (2023: NIS 137.44).

(4) On May 24, 2022, the Bank's Board of Directors approved allocation of 3,385,298 options to Bank officers. The weighted average of the fair value of share options awarded in 2022 was NIS 13.69.The weighted average share price upon exercise of options into shares during 2024 was NIS 156.59.

(5) On May 3, 2023, the Bank's Board of Directors approved allocation of 3,408,043 options to Bank officers. The weighted average fair value of stock options granted in 2023 was NIS 16.52.

(6) On May 29, 2024, the Bank's Board of Directors approved allocation of 3,598,884 options to Bank officers. The weighted average fair value of stock options granted in 2024 was NIS 13.60.

Note 24 – Share Capital and Shareholders' Equity

A. Details on share[1] capital of the Bank (in NIS):

	Registered		Issued and paid-in	
	December 31		December 31	
	2024	2023	2024	2023
Ordinary shares, NIS 0.1 par value[2]	400,000,000	400,000,000	258,520,066	258,127,194

(1) For allotment of stock options – see Note 23 to the financial statements.
(2) The shares are listed for trading on the Tel Aviv Stock Exchange.

B. Dividends

– Restrictions on dividends distribution

As directed by the Supervisor of Banks, banking corporations are required to avoid dividends distributions if they may fail to meet the capital targets specified, inter alia, in Proper Conduct of Banking Business Directive 331 and in the Supervisor of Banks' letters "Capital policies for interim periods" and "Basel III framework – minimum core capital ratios". For further details, see Note 25.

– Policies for dividends distribution

In conformity with the resolution by the Bank Board of Directors dated February 26, 2018, it is the Bank's dividends policy to distribute dividends with respect to quarterly earnings, at up to 40% of net profit attributable to Bank shareholders, subject to Bank compliance with a ratio of Tier I capital to risk components as required by the Supervisor of Banks, and to maintaining appropriate safety margins.

Note that in conformity with the aforementioned dividends policy, the Bank may buy-back Bank shares, subject to the foregoing. Note that buy-back of Bank shares, as noted above, shall be considered a "distribution", as defined in the Corporate Law, 1999 and would therefore reduce any dividends amount to be distributed by the Bank pursuant to the dividends policy. "Distribution" pursuant to the dividends policy (both dividends distribution and share buy-back), as noted above, in conformity with Board resolutions in this regard, as passed from time to time and subject to statutory provisions, including restrictions stipulated by the Supervisor of Banks.

Below is information about dividend distributions by the Bank since 2022 (in reported amounts):

Declaration date	Payment date	Dividends per share	Dividends as percent of profit	Total dividends paid
		(Agorot)	(In %)	(NIS in millions)
February 28, 2022	March 15, 2022	105.89	40	271.6
August 15, 2022	August 30, 2022	122.91	30	315.9
November 28, 2022	December 13, 2022	137.43	30	353.4
Total dividend distributions in 2022[1]				**940.9**
March 13, 2023	March 28, 2023	126.79	30	326.1
May 16, 2023	June 1, 2023	159.35	30	410.1
August 14, 2023	August 29, 2023	190.10	35	489.3
November 27, 2023	December 12, 2023	63.86	15	164.7
Total dividend distributions in 2023[2]				**1,390.2**
March 11, 2024	March 28, 2024	81.11	20	209.4
May 22, 2024	June 6, 2024	196.99	40	508.8
August 14, 2024	August 29, 2024	224.83	40	580.8
November 20, 2024	December 5, 2024	220.59	40	570.0
Total dividends distributed in 2024[3]				**1,869.0**

(1) Total dividends distributed with respect to 2022 earnings – NIS 995.4 million.
(2) Total dividends distributed with respect to 2023 earnings – NIS 1,273.5 million.
(3) Total dividends distributed with respect to earnings of the first nine months of 2024 – NIS 1,659.6 million.

- Dividends declared with respect to earnings in the fourth quarter of 2024:

For more information about dividends distribution with respect to earnings in the fourth quarter of 2024, see Note 35 "Events after the balance sheet date".

Note 25 – Capital Adequacy, liquidity and leverage

Reported amounts (NIS in millions)

A. Capital adequacy

Calculated in accordance with Proper Conduct of Banking Business Directives 201-211 "Measurement and Capital Adequacy"

	As of December 31	
	2024	**2023**
1. Consolidated data		
a. Capital for purpose of calculating the capital ratio		
Tier I shareholders' equity	31,963	28,434
Tier I capital[(1)]	31,963	28,434
Tier II capital	9,097	8,366
Total capital	**41,060**	**36,800**
b. Weighted risk asset balances		
Credit risk	282,287	252,842
Market risks	1,675	1,957
Operational Risk	23,402	20,641
Total weighted risk asset balances	**307,364**	**275,440**
	In %	
c. Ratio of capital to risk elements		
Ratio of Tier I equity to risk components[(1)]	10.40	10.32
Ratio of Tier I capital to risk components	10.40	10.32
Ratio of total capital to risk components	13.36	13.36
Minimum Tier I equity ratio required by Supervisor of Banks[(2)]	9.60	9.60
Total minimum capital ratio required by the Supervisor of Banks[(2)]	12.50	12.50
Bank Yahav for Government Employees Ltd. and its subsidiaries		
Ratio of Tier I equity to risk components	12.87	11.90
Ratio of Tier I capital to risk components	12.87	11.90
Ratio of total capital to risk components	15.03	14.17
Minimum Tier I capital ratio required by Supervisor of Banks	9.00	9.00
Total minimum capital ratio required by the Supervisor of Banks	12.50	12.50

(1) These data include supervisory adjustments with respect to the following: Effect of initial application of accounting practices with regard to expected credit losses. For more information see section A.3 and A.4.

(2) An additional capital requirement was added to the Tier I equity ratio at 1% of the residential mortgage balance as of the dates of financial statements, except for residential mortgages, which are subject to relief provided in the interim directive for addressing the Corona Virus crisis.

Note 25 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

A. Capital adequacy – continued

Calculated in accordance with Proper Conduct of Banking Business Directives 201-211 "Measurement and Capital Adequacy" – continued

	As of December 31	
	2024	2023
3. Capital components for calculating the capital ratio (on consolidated data)		
a. Tier I equity		
Equity	32,729	28,703
Differences between shareholders' equity and Tier I equity	(847)	(673)
Tier I equity before regulatory adjustments and deductions	**31,882**	**28,030**
Supervisory adjustments and deductions:		
Goodwill and intangible assets	(107)	(127)
Supervisory adjustments and other deductions[1]	99	354
Total supervisory adjustments and deductions, before adjustments with respect to streamlining programs and before adjustments with respect to expected credit losses – Tier I equity	**(8)**	**227**
Total adjustments for expected credit losses	89	177
Total Tier I equity after supervisory adjustments and deductions	**31,963**	**28,434**
b. Tier II capital		
Tier II capital: Instruments, before deductions	5,568	5,205
Tier II capital: Provisions for credit losses before deductions	3,598	3,299
Total Tier II capital, before deductions	**9,166**	**8,504**
Deductions:		
Deductions – Total adjustments for expected credit losses	(69)	(138)
Total Tier II capital	9,097	8,366
Total capital	**41,060**	**36,800**

4. Effect of adjustments with respect to expected credit losses and loans subject to increased risk for land purchase on Tier I capital ratio:

	As of December 31	
	2024	2023
		In %
Ratio of capital to risk components		
Ratio of Tier I equity to risk components, before effect of adjustments	10.37	10.25
Effect of adjustments for expected credit losses	0.03	0.07
Ratio of Tier I equity to risk components	10.40	10.32

(1) Includes deferred credit balance from acquisition of Union Bank.

Note 25 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

B. Leverage ratio

Calculated in conformity with Proper Conduct of Banking Business Directive 218 "Leverage ratio"

	As of December 31	
	2024	2023
1. Consolidated data		
Tier I capital	31,963	28,434
Total exposure	529,598	487,483
		In %
Leverage ratio	6.04	5.83
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50
2. Significant subsidiaries		
Bank Yahav for Government Employees Ltd. and its subsidiaries		
Leverage ratio	7.45	6.68
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50

C. Liquidity coverage ratio

Calculated in accordance with Proper Conduct of Banking Business Directive 221 "Liquidity coverage ratio"

	As of December 31	
	2024	2023
		In %
1. Consolidated data		
Liquidity coverage ratio(1)	135	131
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100
2. Bank data		
Liquidity coverage ratio(1)	136	131
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100
3. Significant subsidiaries		
Bank Yahav for Government Employees Ltd. and its subsidiaries		
Liquidity coverage ratio(1)	448	391
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100

(1) In terms of simple average of daily observations during the reported quarter.

D. Minimum net stable funding ratio required by directives of the Supervisor of Banks

As from December 31, 2021, the Bank applies Proper Conduct of Banking Business Directive 222 concerning "Net stable funding ratio (NSFR)", which adopts the Basel Committee recommendation with regard to net stable funding ratio in the banking system in Israel. In conformity with this directive, the objective of the net stable funding ratio is to improve stability of the liquidity risk profile of banking corporations over the long term, by requiring banking corporations to maintain a stable funding profile in conformity with the composition of on-balance sheet assets and off-balance sheet operations. The net stable funding ratio consists of two components: available stable funding items (numerator) and required stable funding items (denominator). "Available stable funding" is defined as the part of capital and liabilities that may be relied upon over the time horizon taken into account in the net stable funding ratio, of one year. The required stable funding amount for a given corporation is based on the liquidity attributes and time to maturity of various assets held by the corporation, as well as of off-balance sheet exposures.

Pursuant to the directive, the minimum net stable funding ratio required is 100%.

Note 25 – Capital adequacy, liquidity and leverage – continued

The net stable funding ratio for significant banking subsidiaries in Israel is calculated in conformity with Proper Conduct of Banking Business Directive 222 "Net stable funding ratio". Net stable funding ratio in significant overseas banking corporations is presented and calculated in conformity with relevant directives in each jurisdiction, if specified.

	As of December 31	
	2024	2023
		In %
(1) On consolidated data		
Net stable funding ratio	113	114
The minimum net stable funding ratio required by the Supervisor of Banks	100	100
(2) Significant subsidiaries		
Bank Yahav		
Net stable funding ratio	172	170
The minimum net stable funding ratio required by the Supervisor of Banks	100	100

Factors which may materially affect the net stable funding ratio

Net stable funding ratio (on consolidated basis) as of December 31, 2024 was 113%. The volatility of this ratio throughout the quarter was low; the main factors affecting the net stable funding ratio are: composition of Bank sources and uses by financing term, financing type and counter party. On the sources side – long-term liabilities are more stable than short-term liabilities, and funding from retail customers and small businesses is more stable than wholesale funding with the same maturity. When long-term sources grow shorter on a large scale (such as with subordinated notes) to a term shorter than one year, this factor affects the resulting ratio; however, because this is a funding source which typically has scattered maturities, the impact on the resulting ratio is not material. On the uses side – asset type, asset term and quality and liquidity value determine the required stable funding amount.

E. Basel III

As from January 1, 2014, the Bank applies Proper Conduct of Banking Business Directives 201-211 with regard to capital measurement and adequacy, as amended to align them with Basel III directives.

The Basel III directives stipulated significant changes to calculation of regulatory capital requirements, including with regard to the following:
- Supervisory capital components
- Deductions from capital and supervisory adjustments
- Treatment of exposures to financial corporations
- Treatment of exposures to credit risk with respect to non-accruing debts
- Capital allocation with respect to CVA risk

F. Capital adequacy target

As per instructions of the Supervisor of Banks, the Bank is required to maintain a minimum Tier I equity ratio of no less than 9% and a minimum total equity ratio of no less than 12.5% of weighted total of risk components of its balance sheet assets and off-balance-sheet items. Calculation of total capital and total risk components is set forth in the directives.
An additional capital requirement was added to the Tier I equity ratio at 1% of the residential mortgage balance as of the dates of financial statements, except for residential mortgages, which are subject to relief provided in the interim directive for addressing the Corona Virus crisis.
Accordingly, the Bank's current required minimum Tier I capital ratio and minimum total capital ratio as of the report date are 9.60% and 12.50%.

G. Assignment of Credit Rating to the State of Israel by International Rating Agency S&P

In accordance with Proper Conduct of Banking Business Directive 203, the capital requirements with respect to the Bank's exposures to the Government of Israel, and to banks, institutional entities and public sector entities in Israel, are derived from the State of Israel's rating.
In April 2024, rating agency S&P lowered the long-term credit rating of the State of Israeli from AA- to A+. The effect of the rating downgrade is included in the capital ratios as of December 31, 2024.
In October 2024, S&P announced a further rating downgrade from to A+ to A, with no impact on the Bank's capital ratios.

Note 25 – Capital adequacy, liquidity and leverage – continued

h. Issue and redemption of subordinated notes with loss-absorption provisions

In June 2024, Tefahot Issuance issued to the public - by the expansion of Series 69, CoCo contingent subordinated notes amounting to NIS 0.6 billion.

In November 2024, Tfahot Issuance issued to the public contingent subordinated notes (Series 71) amounting to NIS 0.9 billion.

In December 2024, Tfahot Issuance executed full early redemption of contingent subordinated notes (Series 50) amounting to NIS 1.2 billion.

i. Effect of application of accounting principles with regard to expected credit losses on supervisory capital

As from January 1, 2022, the Bank applies the new directives with regard to expected credit losses (CECL) and charges the cumulative effect to retained earnings upon initial application. According to the Supervisor of Banks' circular, if, due to initial application of these rules, the banking corporation's Tier I equity should decrease, then the banking corporation may partially include in Tier I equity (i.e. add back to Tier I equity) the decrease in Tier I equity recorded upon initial application, over three years (hereinafter: "transition period").

The effect of this relief on the Tier I capital ratio was 0.03% as of December 31, 2024.

For more information about the effect of initial application, see Note 1 to the 2022 financial statements.

J. Leverage ratio

The Bank applies the rules in Proper Conduct of Banking Business Directive 218 with regard to leverage ratio, which adopts the Basel Committee recommendations with regard to leverage ratio, stipulated in January 2014.

The leverage ratio is reflected in percent, defined as the ratio of Tier I capital to total exposures. Total exposure for the Bank is the sum of balance sheet exposures, exposures to derivatives, to financing transactions for securities and off-balance sheet items.

According to the directive, banking corporations must maintain a leverage ratio of 5% or higher on a consolidated basis.

On November 15, 2020, the Supervisor of Banks issued a circular regarding "Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)", updating Proper Conduct of Banking Business Directive 250, whereby the leverage ratio shall be at least 4.5% on a consolidated basis, compared to 5% prior to this change.

In the Supervisor of Banks' circular dated December 20, 2023, the effect of this relief was extended through December 31, 2025. A banking corporation applying this relief at the time would be required to resume the required leverage ratio prior to the interim directive within two quarters, such that upon expiration of the interim directive, the banking corporation would be subject to a minimum leverage ratio based on the actual leverage ratio or the minimum ratio applicable to the banking corporation prior to the interim directive, whichever is lower.

K. For more information about the dividend distribution policy, see Note 24.B "Share capital and shareholders' equity".

Note 26 - Contingent Liabilities and Special Commitments

Reported amounts (NIS in millions)

A. Off-balance sheet liability for activities based on extent of collection at year end[(1)]

1. Balance of loans from deposits based on extent of collection[(2)]

	As of December 31	
	2024	**2023**
Israeli currency – linked to the CPI	2,599	2,741
Israeli currency – non-linked	4,225	4,452
Foreign currency	55	53
Total	**6,879**	**7,246**

2. Cash flows with respect to collection commissions on activities based on extent of collection[(2)]

	As of December 31							
							2024	**2023**
	Up to 1 year	**Over 1 year to 3 years**	**Over 3 years to 5 years**	**Over 5 years to 10 years**	**Over 10 years to 20 years**	**Over 20 years**	**Total**	**Total**
In the CPI-linked sector[(3)]								
Cash flows of futures contracts	8	14	12	22	16	2	74	79
Expected future cash flows net of management's estimate of early repayments	8	14	10	19	9	-	60	75
Discounted expected future flows net of management's estimate of early repayments[(4)]	8	13	9	12	4	-	46	62
In the non-linked NIS-denominated sector								
Cash flows of futures contracts	-	-	-	1	-	-	1	4
Expected future cash flows net of management's estimate of early repayments	-	-	-	1	-	-	1	2
Discounted expected future flows net of management's estimate of early repayments[(4)]	-	-	-	1	-	-	1	2

3. Information on loans extended by mortgage banks during the year

	2024	**2023**
Loans out of deposits according to extent of collection	164	123
Standing loans and grants	174	111

(1) Loans and deposits from deposits the repayment of which to the depositor is contingent upon collection of the loans (or deposits), with margin or with collection commission (instead of margin).

(2) Standing loans and Government deposits given with respect to them totaling NIS 1,150 million (2023 – NIS 1,095 million) are not included in this table.

(3) Includes foreign currency sector.

(4) In the CPI- and foreign currency-linked segments, capitalized at a rate of 3.09%; in the non-linked segment, capitalized at a rate of 4.5%. (2023: at 2.55%, 5.82%, respectively).

Note 26 – Contingent Liabilities and Special Commitments – continued

4. Credit sales operations

	2024	2023	2022
Carrying amount of credit sold	125	25	1,903
Total consideration	125	25	1,943
Service obligation – expense with respect to operational services	-	-	32
Total net gain with respect to credit sold	-	-	8

B. Other liabilities and special commitments

	2024	2023
Acquisition and renovation of buildings(1)	30	72

(1) Including a commitment to construct another building in Lod, to which all of the Bank's headquarters units would be gradually relocated.

C. Contingent liabilities and other commitments

1) As a member of the Tel Aviv Stock Exchange Clearing House - a wholly-owned subsidiary of the Tel Aviv Stock Exchange (hereinafter: “the Stock Exchange Clearing House”), the Bank has undertaken toward the Stock Exchange Clearing House to complete the clearing of securities and honor any financial charges arising from transactions involving its customers’ securities, in respect of its activity in its nostro account, and in respect of the activity of a remote member of the Tel Aviv Stock Exchange, which is not a member of the Stock Exchange Clearing House.

   In accordance with the Tel Aviv Stock Exchange Regulations (hereinafter: (“the Stock Exchange Regulations”), the Bank participates in the risk fund of the Stock Exchange Clearing House, which totaled NIS 2,033 million as of December 31, 2024. The share of Bank and subsidiaries in the fund as of December 31, 2024 is estimated at NIS 266 million (as of December 31, 2023 – NIS 234 million).

   In accordance with the provisions of the Stock Exchange Regulations, each member of the Stock Exchange Clearing House deposits in cash an amount of no less of their share in the risk fund. These funds are deposited by stock exchange clearinghouse members as collateral into an account with the Bank of Israel.

   See Note 27.A to the financial statements with regard to liens that the Bank has undertaken to furnish for this liability.

2) The Bank has undertaken toward the MAOF Clearinghouse Ltd., a wholly-owned subsidiary of the TASE (hereinafter: "MAOF Clearinghouse"), to pay any monetary charge deriving from transactions in derivatives traded on the TASE, executed through it by its customers, and from such transactions executed by several members of the TASE that are not members of the MAOF Clearinghouse, for their customers.

   The amount of the liability for these customers, as of the balance sheet date, amounts to NIS 151 million (as of December 31, 2023 – NIS 116 million).

   Likewise, the Bank participates in the risk fund of the MAOF Clearinghouse, which totaled NIS 627 million as of December 31, 2024. The share of the Bank and subsidiaries in the fund as of December 31, 2024 is estimated at NIS 29 million (as of December 31, 2023: NIS 24 million).

   In accordance with the provisions of the Stock Exchange Regulations, each member of the Stock Exchange Clearing House deposits in cash an amount of no less than 50% of their share in the risk fund. These funds are deposited by MAOF Clearinghouse members as collateral into an account with the Bank of Israel.

   See Note 27.A to the financial statements with regard to liens that the Bank has undertaken to furnish for this liability.

3) In 1992, a General Meeting of the Bank’s shareholders ratified a resolution to indemnify officers of the Bank with the following wording:
   - The Bank will indemnify in full each of the officers for financial liabilities and legal expenses incurred for actions, acts, and omissions performed within the framework stipulated in the Companies Ordinance and the Bank’s by-laws, and subject to the above provisions.
   - These officers will be indemnified whether the claim is brought against them during their employment at the Bank, or whether subsequently and refers to an act performed in their capacity as officers.

Note 26 – Contingent Liabilities and Special Commitments – continued

There are differing legal opinions regarding a company's authority to approve such broad indemnification, and whether invoking it in a specific case requires additional approval, in a manner stipulated by law. Should the Bank be required to pay any amounts on the basis of the above decision, it will seek advice from its legal counsel regarding its obligation, taking into consideration the specific and special circumstances of each incident, if applicable.

In December 2001, a General Meeting of the Bank's shareholders ratified the granting a waiver in advance (as described below) as well as advance commitment by the Bank to indemnify Board members and other officers (hereinafter jointly: "the officers"). Pursuant to the resolution by the General Meeting of shareholders, the Bank exempts in advance any liability by officers of the Bank towards the Bank with respect to any damage incurred by the Bank due to breach of the officer's duty of care towards the Bank in the officer's conduct, arising from his position as officer of the Bank. Committed to indemnify officers of the Bank for any liability or expense incurred by the officer in conjunction with his action in the course of their office with the Bank all as stated in the letter of commitment to indemnify, including with regard to actions by officers who are not directors in conjunction with their action as directors on behalf of the Bank, or at the Bank's request, of another company whose shares are owned by the Bank (hereinafter: "the original letter of indemnification").

According to the original letter of indemnification, the amount if indemnification paid by the Bank to all officers on aggregate shall not exceed 25% of the Bank's shareholder equity on the Bank's 2000 financial statements, adjusted for the CPI as from December 2000 (hereinafter: "total indemnification amount"). This indemnification applies to action related, directly or indirectly, to one or more of the event types listed in the Addendum to the letter of commitment to indemnify.

On October 28, 2004, the General Meeting of the Bank resolved to add to the list of events for which the Bank granted a commitment to indemnify to Bank officers, pursuant to the original letter of indemnification, a merger event, as defined in the Companies Law, including any decision, action, agreement or reporting with regard to a merger. It was resolved that in all that relates to indemnification resulting from a merger event, the maximum amount of the indemnification will be the lesser of: 25% of the Bank's shareholders' equity according to its financial statements as of December 31, 2000, plus linkage differentials beginning from the CPI for December 2000, or 25% of the Bank's shareholders' equity according to the last financial statements published in proximity to the actual payment date with respect to the indemnification.

On May 14, 2006, the General Meeting of the Bank resolved to adapt the wording of the letter of indemnification to the provisions of the Companies Law (Amendment 3), 2005 and resolved to grant advance commitment to indemnify, of identical wording, to Bank employees serving as a director in a company in which the Bank owns any shares, and to those serving, from time to time at the Bank's request, as a director in a company controlled by the Bank.

On November 9, 2011, the General Assembly of the Bank resolved to add a commitment by the Bank to indemnify Bank employees who are not officers of the Bank, who serve from time to time, upon request by the Bank, as officers of companies controlled by the Bank (such a resolution was also passed by the Bank's Board of Directors on February 16, 2009 – resolving to provide a letter of indemnification identical to the one granted to Bank officers), and to those who are not employees or officers of the Bank, who serve from time to time as officers of a company, other than a banking corporation, wholly-owned by the Bank (jointly: "the parties eligible for indemnification").

The General Assembly of the Bank further decided to add a commitment by the Bank to indemnify the parties eligible for indemnification for any monetary liability arising from payment to any party injured by the breach and with respect to expenses related to any administrative proceeding, including reasonable litigation expenses – all as specified in the ISA Enforcement Proceeding Streamlining Law (Legislative Amendments), 2011.

The General Assembly also resolved that the maximum indemnification amount payable by the Bank, on aggregate to all those eligible for indemnification pursuant to the letter of commitment to indemnify, shall not exceed 25% of the Bank's shareholder equity, based on its most recent financial statements published soon prior to the actual payment date of the indemnification amount ("maximum indemnification amount"). Should the total indemnification amount exceed the maximum indemnification amount specified above, the maximum amount payable by the Bank on aggregate to all those eligible for indemnification shall not exceed the total indemnification amount, but the differences between these two amounts would only be used for indemnification with respect to action taken before November 9, 2011.

Note 26 – Contingent Liabilities and Special Commitments – continued

On September 20, 2012, the General Assembly of the Bank further decided to add a commitment by the Bank to indemnify the parties eligible for indemnification for any monetary liability arising from payment to any party injured by the breach and with respect to expenses related to any administrative proceeding, including reasonable litigation expenses, including attorneys' fees – all as specified in the Financial Services Supervision Law (Insurance), 1981 and in the Financial Services Supervision Law (Provident Funds), 2005 and with respect to expenses related to any administrative proceeding, including reasonable litigation expenses – all as specified in the Restrictive Trade Practices Law, 1988.

The General Assembly of the Bank further decided to add a commitment by the Bank to indemnify the parties eligible for indemnification for any monetary liability arising from payment to any party injured by the breach or similar, pursuant to any other statute, including reasonable litigation expenses, including attorneys' fees, with regard to any administrative proceeding pursuant to any other statute, provided that such indemnification is not prohibited by law.

On December 23, 2015, the General Assembly resolved to reduce the liability exemption for officers, so that it would not apply to any breach of duty of care after the approval date by the General Assembly when making a decision or approving a transaction in which the controlling shareholder of the Bank or any officer of the Bank (including another officer, other than the officer to whom the exemption was granted) has a personal interest.

The General Assembly of the Bank also resolved to add clarifications, details and elaboration to the events listed in the addendum to the letter of commitment to indemnify, according to events which the Board of Directors considers to be likely in view of actual Bank operations. The General Assembly further resolved to amend the letter of commitment to indemnify with regard to obtaining indemnification from an insurer or from a third party, so that the indemnification cap equal to the difference between the liabilities imposed on the officer or on the employee and/or legal expenses incurred by or charged to them, would also apply if the officer or employee would be reimbursed by any third party or by any third party's insurer who provided indemnification to the officer or employee for the same matter. It was further resolved that if the liability or legal expenses would not be actually covered in a timely manner by the insurer or by the third party, the Bank would indemnify the officer or employee for such liability and/or legal expenses – provided that the officer or employee would assign to the Bank their rights vis-a-vis the insurer or third party, so that the Bank would replace them vis-a-vis the insurer or third party.

On August 30, 2018, the General Meeting approved once again the Bank's waiver and commitment to indemnification, with regard to applicability to controlling shareholders of the Bank and their relatives who may serve from time to time, including those who have served in the past or to be appointed in future.

On October 15, 2020, the General Meeting of Bank shareholders approved an amendment of the letter of waiver and commitment to indemnification by the Bank for Board members and other officers, including the Bank's President & CEO and controlling shareholders of the Bank and their relatives, as well as employees who serve from time to time, including those who have served in the past or would be appointed in future. The amendment stipulates that the commitment to indemnify shall also apply to expenses, including reasonable litigation expenses and legal fees, even with regard to a proceeding seeking to impose a monetary sanction, as stated in the aforementioned amendment to the Bylaws. The amendment further stipulates that the letter of commitment and anything related to it are subject exclusively to laws of the State of Israel and the Tel Aviv Yafo District Court shall have sole jurisdiction over any such matter. The list of events in the addendum to the letter of commitment was also revised. Pursuant to a resolution by the Audit Committee dated August 17, 2020, the resolution to approve the amended letter of commitment, with regard to its applicability to parties other than controlling shareholders and relatives thereof, would be brought for re-approval as required by law within 9 years after October 15, 2020.

On September 5, 2023, the General Meeting of Bank shareholders approved an amendment of the letter of waiver and commitment to indemnification by the Bank for Board members and other officers, including the Bank's President & CEO and controlling shareholders of the Bank and their relatives, as well as employees who serve from time to time, including those who have served in the past or would be appointed in future.

The amendment stipulates, *inter alia*, that the commitment to indemnification would also apply in these cases: (1) Financial liability imposed due to payment to the injured party due to breach, as set forth in Section 52 (54)(a)(1)(a) of the Securities Law, pursuant to the Financial Information Services Law and pursuant to provisions of the Payment Services and Payment Initiation Regulation Law.

Note 26 – Contingent Liabilities and Special Commitments – continued

Expenses, including reasonable litigation expenses and legal fees, with respect to a proceeding pursuant to Chapter E (titled "Monetary sanction"), or a proceeding pursuant to Chapter F (titled "Imposition of administrative enforcement measures by the Administrative Enforcement Committee") of the Financial Information Services Law (or any other proceeding pursuant to this law), as amended from time to time. (3) Expenses, including reasonable litigation expenses and legal fees, with respect to a proceeding pursuant to Chapter G (titled "Monetary sanction"), or a proceeding pursuant to Chapter H (titled "Imposition of administrative enforcement measures by the Administrative Enforcement Committee") of the Payment Services and Payment Initiation Regulation Law (or any other proceeding pursuant to this law), as amended from time to time. The list of events in the addendum to the letter of commitment was also revised.

Pursuant to a resolution by the Audit Committee dated July 17, 2023 and to approval by the General Meeting of Bank shareholders, the resolution to approve the amended letter of commitment, with regard to its applicability to controlling shareholders of the Bank and relatives thereof, would be brought for re-approval no later than three years after approval by the General Meeting of Bank shareholders (i.e. after September 5, 2023), as required by law. The resolution to approve the amended letter of commitment, with regard to its applicability to all other eligible parties other than controlling shareholders of the Bank and relatives thereof, would be brought for re-approval no later than 9 years after approval by the General Meeting of Bank shareholders (i.e. after September 5, 2023).

4) In February 2021, the General Meeting of shareholders of Union Bank Le-Israel Ltd. (hereinafter: "Union Bank"), after approval by Union Bank's Remuneration Committee and Board of Directors, approved an amendment to the letter of commitment to indemnify (hereinafter: "Indemnification Letter") provided by Union Bank to Board members and to other officers, as specified in the Indemnification Letter, who are or were in office at Union Bank and at Union Bank subsidiaries (hereinafter jointly in this paragraph: "Officers") which, through said date, as resolved by the General Meeting of Union Bank shareholders in 2018, was capped at 25% of Union Bank shareholders' equity.

   In this regard, Union Bank undertook, subject to the terms and conditions set forth in the Indemnification Letter and to provisions of the Companies Law, to indemnify the Officers with respect to any monetary indebtedness that would be imposed on any of the Officers and with respect to reasonable litigation expenses, provided that the maximum indemnification payable by Union Bank to Officers of Union Bank and of Union Bank subsidiaries, would not exceed NIS 633 million (25% of Union Bank's shareholders' equity, based on financial statements of Union Bank as of June 30, 2020, prior to closing of the acquisition of Union Bank by the Bank).

   Under the terms and conditions of the merger of Union Bank into and with the Bank, the Bank assumed this undertaking.

5) In May 1998, General Assemblies of the shareholders of the Bank and of Bank Tefahot ratified an undertaking to indemnify officers, which had previously been approved by their Audit Committees and Boards of Directors as follows:

   The Bank and Bank Tefahot will irrevocably indemnify any of their officers for any action taken in their capacity as officers, in connection with the causes of action listed below, and for any financial obligation to be imposed by a court judgment, including a compromise, or arbitrator's decision that is subsequently approved by a court, and also for any reasonable legal expenses for which they may be indemnified in accordance with provisions of the Companies Ordinance.

   The indemnification will be made for all the officers on a cumulative basis, up to a sum not to exceed – for each bank separately – NIS 750 million (linked to the CPI of March 1998), for any financial liability that the officer incurs as a result of an action that he took that is directly or indirectly connected to the prospectus published in 1998, or to the draft prospectus that was filed in that year, in connection with the offer of sale of the Bank's securities by the State, including in connection with the reports submitted by the banks subsequent to the date of the prospectus regarding any matter that occurred before the date of the prospectus.

   Furthermore, the total cumulative amount of indemnification to be paid for all officers for any action or matter related to the insurance of borrowers by mortgage banks mentioned in the above prospectus included in the letter of indemnification – by each bank separately – will not exceed NIS 750 million (linked to the CPI of March 1998).

   The letters of undertaking for indemnification stipulated further that, notwithstanding the aforesaid, the total cumulative amount of indemnification to be paid for all the officers with regard to all the causes of action included in the letter of indemnification – by each bank separately – will be limited to NIS 1,000 million (linked to the CPI of March 1998).

   Under terms and conditions of the merger of Bank Tefahot into the Bank, the Bank assumed this commitment.

Note 26 – Contingent Liabilities and Special Commitments – continued

6) In November 2001, approval was given by General Assemblies of the shareholders of Bank Tefahot and of a wholly-owned and controlled subsidiary of Bank Tefahot (hereinafter: "Tefahot Issuance"), in connection with the prospectus for issuance of bonds and subordinated notes of Bank Tefahot from November 2001, that Tefahot Issuance irrevocably undertakes to indemnify all of its officers, for any action taken in connection with matters detailed in the letter of indemnity, by virtue of his being an officer (hereinafter: “indemnification”).

   The indemnification will be given for any financial debt, if imposed by a judgment, including a judgment issued in a compromise or arbitration that was approved by a court, and with respect to any reasonable legal expenses (including fees to attorneys and other experts), which may be indemnified in accordance with the provisions of the Companies Law, all up to a limit of NIS 1 billion, linked to the CPI.

   Bank Tefahot undertook vis-à-vis Tefahot Issuance that, should it be unable to fulfill its obligations to the indemnity recipients, or any one of them, Bank Tefahot would pay to Tefahot Issuance any amount that Tefahot Issuance will be found liable to indemnify, beyond the amounts paid by Tefahot Issuance.

   Under terms and conditions of the merger of Bank Tefahot into the Bank, the Bank assumed this commitment.

7) In October 2002, the Board of directors of Bank Tefahot, following the approval of the Audit Committee, approved the bestowing of an advance undertaking for indemnification of directors and other officers of Bank Tefahot (together – “the officers”). Accordingly, Bank Tefahot undertakes, subject to the conditions detailed in the letter of undertaking and to the provisions of the Companies Law, to indemnify the officers for any liabilities or expenses imposed on the officer due to his capacity as an officer in Bank Tefahot, provided that these activities are related, directly or indirectly, to one or more of the events listed in the addendum to the letter of undertaking the indemnification.

   The cumulative amount of the indemnification to be paid by Bank Tefahot to all the officers will not exceed 25% of the shareholders’ equity of Bank Tefahot according to its annual financial statements for 2001, adjusted for the CPI, beginning from December 2001, or 25% of the shareholder equity of Bank Tefahot according to the latest financial statements published as of the actual payment date of the indemnification, whichever is lower.

   In November 2002, a General Meeting of the shareholders of Bank Tefahot ratified this resolution.

   Under terms and conditions of the merger of Bank Tefahot into the Bank, the Bank assumed this commitment.

8) On June 30, 1998, an extraordinary general meeting of Bank Adanim, following approval by its Board of Directors and approval of its Audit Committee, ratified an undertaking to indemnify (hereinafter: “indemnification letter”) for officers in Bank Adanim. The indemnification letter will apply to officers, as defined in Section 96(24) of the Companies Ordinance, who, on the approval date of the indemnification by the General Meeting (hereinafter: “date of record”), are serving in Bank Adanim or whose tenure ended in a period not earlier than 4 years from the date of record.

   Pursuant to the indemnification letter, Bank Adanim will indemnify any officers in Bank Adanim for any financial liabilities imposed on them by a ruling, including legal expenses, for an act or omission done directly or indirectly in the matters itemized in the letter of indemnification, namely the offer of sale to the public of securities of Mizrahi Tefahot by the State, pursuant to a prospectus published in May 1998.

   Pursuant to the indemnification letter, the amount of the indemnification to be paid by Bank Adanim (in addition to the amounts to be received according to the officers’ insurance policies as detailed below) to all officers, on a cumulative basis will not exceed NIS 70 million, with the amount linked to the last CPI published before the date of record until the CPI published before the date of payment.

   Bank Adanim will take action, to the extent possible, so that during the 10-year period beginning on the date of record, an officers’ insurance policies will be purchased by or for Bank Adanim, which will cover the matters covered by the indemnification, the amount of which, including restitution/reinstatement will not be lower than the aforementioned amounts.

   On December 16, 2002, a General Meeting of Bank Adanim, following approval by the Audit Committee and ratification by its Board of Directors, ratified the letter of indemnification undertaking (hereinafter: “indemnification letter”) for officers in Bank Adanim. The indemnification letter will apply to officers, as defined in Section 1 of the Companies Law, 1999, who, on the approval date of the indemnification letter by the general meeting (hereinafter: “date of record”) serve in Bank Adanim. Pursuant to the indemnification letter, Bank Adanim will indemnify all of the officers in Bank Adanim for all the financial liabilities to be imposed on them by a ruling, including legal expenses, relating to an act or omission done directly or indirectly in matters listed in the indemnification letter, up to the indemnification amounts.

Note 26 – Contingent Liabilities and Special Commitments – continued

The indemnification amounts to be paid by Bank Adanim for each officer, on a cumulative basis, for one or more of the types of events provided in the addendum to the letter of undertaking, shall not exceed 25% of the shareholder equity of Bank Adanim according to its financial statements for the year 2001, adjusted from time to time, according to the rate of increase in the CPI compared with the CPI for December 2001 that was published in January 2002 (hereinafter: “total indemnification amount”). In the event the officer will receive indemnification from the insurer of the officers’ insurance policies for the matter covered by the indemnification, the indemnification will be provided by Bank Adanim in the amount of the difference between the amount of financial liabilities imposed on the officer and/or legal expenses incurred by or charged to the officer, and between the amount received from the insurer on this matter, provided that the amount of indemnification for which Bank Adanim will be charged will not exceed the total indemnification amount. Beginning December 2002, Bank Adanim was one of the insured parties in the officers’ insurance policies purchased by the Bank for itself and its subsidiaries and related companies, which is in effect until April 5, 2007.

Under terms and conditions of the merger of Bank Adanim into the Bank, the Bank assumed this commitment.

9) Various claims are pending against the Bank and its subsidiaries, namely, claims of customers, as well as motions for recognition of various class actions. In the estimation of the management of the Bank, based on the estimation of the managements of its subsidiaries and on the opinion of their legal counsel as to the possible outcome of the pending claims (for claims brought against the Bank) and motions for approval of claims as class actions, the financial statements include appropriate provisions, where necessary, to cover possible damages.

Below are details of significant claims, including motions for approval of class action status and claims in which the amount claimed (excluding interest and fees) exceeds 1% of Bank equity attributable to shareholders of the Bank:

A) In May 2016, the Bank received a claim and motion for approval of class action status, alleging unlawful over-charging of commissions to customers eligible to be classified as a small business, in breach of the Bank's duties in its relations with customers. The plaintiff estimates the damage at NIS 220 million.

As recommended by the Court, the parties are in mediation proceeding.

B) In September 2018, the Bank received a claim and motion for approval of class action status amounting to NIS 180 million (estimated) for allegedly over-charging a commission upon early repayment of residential mortgages consisting of multiple tracks, some of which have generated positive capitalization differences and some of which have generated negative capitalization differences, where the Bank fails to offset the capitalization differences of the different tracks against each other, allegedly in contravention of provisions of the Banking Ordinance (Early repayment of residential mortgage), 2002.

As recommended by the Court, the parties are in mediation proceeding.

C) In May 2020, the Bank received a claim and motion for approval of class action status, of unspecified amount, alleging breach of duty of confidentiality, by the Bank providing various identifiable information to international information corporations, and in particular to Facebook, allowing them to gather private information about Bank customers, allegedly in breach of provisions of the Privacy Protection Law, 1981 and other statutes, without providing required disclosure to Bank customers and without obtaining their consent.

As recommended by the Court, the parties started a mediation proceeding.

D) In April 2021, the Bank received a claim and motion for class action status filed against the Bank and 14 other defendants (other banks and financial institutions, hereinafter: "the defendants"), alleging transfer of private information to third parties while browsing the "Personal Zone" on websites and apps operated by the defendants, allegedly in violation of privacy and allegedly in breach of provisions of the Privacy Protection Law, Banking Rules and multiple other obligations imposed on the defendants.

Dates were set for the parties’ summations, the latest of which was set for May 2025.

E) In February 2022, the Bank received a claim and a motion for class action status, filed against the Bank and nine other banks and against two private companies that operate, independently or by franchise, non-bank ATMs ("the motion"). The motion concerns the commission charged for cash withdrawal services from customer accounts at the defendant banks, made through non-banking ATMs operated by public companies. The damage to the class, according to the motion, was set at NIS 458 million in total against all defendants, with the plaintiff allowing the Court discretion in allocating liability among the defendants.

On October 13, 2024 a motion was filed to the Court on behalf of the applicant to order the filing of the Attorney General’s position on this issue before a resolution is made regarding the motion for class action status. A resolution is still pending in connection with this motion.

Note 26 – Contingent Liabilities and Special Commitments – continued

F) In April 2022, the Bank received a claims and a motion for approval of class action status. of no stated amount, concerning double charging of commission, allegedly unlawfully, in an exchange transaction of two foreign currencies, and absence of proper disclosure about these charges in the conversion differences.
On December 2, 2022, a verdict was handed down, rejecting out of hand the motion for approval of class action status. On January 18, 2023, the plaintiff appealed this verdict to the Supreme Court. A hearing of the appeal by the Supreme Court is scheduled for May 26, 2025.

G) In November 2022, the Bank received a claim and a motion for approval of class action lawsuit, of unspecified amount, concerning revision of interest rates in conformity with agreements for residential mortgages in the variable interest track based on bonds as an anchor (yield of Government bonds), alleging that this creates an unfair advantage for the Bank at the expense of borrowers, and that the condition stipulated in such agreements, whereby the change in anchor would only apply "on condition that the sum of these components shall not be less than “0%”" constitutes, allegedly, a discriminatory condition in a uniform contract, as defined in Section 2 of the Uniform Contract Law, 1982.
According to the Court’s ruling, on January 28, 2025 the parties filed a notice and a motion regarding a procedural arrangement as to the next stages of the proceedings and a ruling has not yet been handed down regarding this motion.

H) In April 2022, the Bank was served with a claims and a motion for approval of class action status, with no estimated amount, alleging unlawful charging of a file opening commission upon loan origination, with this commission being "disguised interest", in breach of the Fair Credit Law, 1993 and in violation of provisions of Regulation 3 of the Non-bank Loan Regulations (Exclusion of credit transaction types from the scope of the law and exclusion of expenses from the scope of "addition"), 2019.
On September 29, 2024, a verdict was handed down, confirming the applicant's withdrawal of the motion for approval of class action status.

I) In May 2023, the Bank received a claim and motion for class action status, of unspecified amount, with respect to setting the interest rate in the fixed interest track of residential mortgages, carried out in parts. The motion alleges that the Bank should set an annual interest rate based on the basic interest rate plus the "additional rate" which, according to the plaintiff, should be fixed; However, allegedly the Bank calculates the additional interest based on the interest rate upon signing the loan agreement, but based on the basic interest on later dates, in contravention of the loan agreement and of provisions of Proper Conduct of Banking Business Directive 421 regarding "Decrease or increase in interest rates".
A pre-trial hearing is scheduled for March 19, 2025.

J) In March 2024 the Bank received a claim and a motion for approval of class action status, with no estimated sum, filed before the Haifa District Court, for alleged unlawful billing for exchange rate differences for foreign currency conversion actions, without anchoring the billing in the Bank's rate book and in agreements with customers and with no full disclosure on the scope of the billing. This with an alleged violation of legal provisions including banking rules (customer services)(fees), 2008 and the Uniform Contracts Law, 1982.
On October 31, 2024 a verdict was handed down, under which the motion for approval of class action status was dismissed in limine, and the applicants were required to pay legal expenses. On December 15, 2024, the Bank’s attorney was served with an appeal against the verdict, which the applicant submitted to the Supreme Court. A hearing for the appeal was scheduled for November 26, 2025.

K) In June 2023, the Bank was served with a claim and a motion for class action status brought against the Bank and other banks, claiming damages in excess of NIS 1 billion, for non-payment of interest for credit balances in current accounts. The motion alleges that the Bank does not pay interest for credit balances in current accounts held with the Bank, by way of credit interest or by automated deposit of credit balances in the account to an interest-bearing deposit, and that the Bank fails to inform customers of the appropriate options in such circumstances, in breach of various statutory provisions and with unlawful enrichment.

Note 26 – Contingent Liabilities and Special Commitments – continued

On December 29, 2024, the Supervisor of Banks submitted its position, whereby, among other things, the Supervisor of Banks clarified that it objects to any intervening in the prices of banking services; it is the Supervisor of Banks' position that requiring the banks to pay interest on credit balances in current accounts may be a misguided move. The parties are required to submit their response to the Supervisor of Banks' position by March 11, 2025.

L) In June 2023, the Bank was served a claim and motion for approval of class action status, filed against the Bank and other banks, alleging over-charging of debit interest linked to the Prime lending rate. The claim alleges that the Bank increases the Prime lending rate used to determine the debit interest rate for debit balances in current accounts and in loans, whenever the Bank of Israel changes its interest rate, and by exactly the same change, without exercising judgment and without paying due consideration to changes to the cost of credit sources, thereby increasing the Bank's earnings by allegedly using, other than in good faith, unfair sections of uniform banking contracts, as well as unlawful enrichment. The total estimated damage for all defendants amounts to NIS 5.8 billion.
The Bank filed its response to the motion on October 15, 2024. A preliminary hearing of this case is scheduled for February 25, 2025.

M) In July 2023, the Bank was served with a claim and motion for approval of class action status, filed against the Bank and other banks. The claim alleges misleading behavior and failure to provide disclosure, when making a deposit online or in the app, the interest rate offered and paid to other bank customers for the same deposits, and of the option to obtain better interest. This involves allegedly unlawful action that amounts to misleading behavior, exploitative and lacking good faith, as well as unlawful enrichment. The total damage claimed for all banks amounts to NIS 984 million.
A pre-trial hearing was held on January 9, 2025. The parties announced that they agree to waive the examination stage. Dates have not yet been set for submission of summations.

N) In August 2023, the Bank received a claim and motion for approval of class action status, of unspecified amount, filed against the Bank and other banks. The motion concerns the requirement to provide a building insurance policy incidental to a mortgage, to be pledged in favor of the Bank, even when the property value net of the relevant land value exceeds the requested loan amount or the outstanding loan balance, allegedly in contravention of provisions of Proper Conduct of Banking Business Directive 451. It was further alleged that the defendant banks do not inform the borrowers, during the loan period, of the option available to them not to insure the property under such circumstances, with respect to the outstanding loan balance.
According to the Court's decision to split the hearing, on November 14, 2024, the plaintiff filed a motion for approval of a class action relating solely to the Bank. The Bank filed its response to the amended motion on February 2, 2025. An hearing for the case has not yet been scheduled.

O) In August 2023, the Bank was served with a claim and motion for approval of class action status, of unspecified amount. The motion concerns terms of interest and deposit types used as temporary collateral for mortgage transition from one land property to an alternative land property. Allegedly, in case of a deposit as such collateral, the investment options offered to the customer for such deposit are inferior by comparison to other investment options, and in particular – by comparison to other deposits offered to all Bank customers, and such action by the Bank results in excess profit for the Bank. It is further alleged that during the term of such deposit, the customer is required to maintain a valid life insurance policy, which is allegedly in contrast to the provisions of the mortgage agreement and in breach of a number of legal obligations of the Bank. On January 20, 2025 the parties filed to the Court a procedural arrangement as part of which dates were scheduled for the filing of document disclosure motions by March 28, 2025.

For all claims against the Bank Group in individual amounts over NIS 2 million, excluding claims listed in section 9 above, there is additional, non-remote exposure for which no provision was made, amounting to NIS 81 million.

Note 26 – Contingent Liabilities and Special Commitments – continued

10) Motions for class action status are pending against the Bank and its subsidiaries, where the amount claimed is material, as well as appeals to the High Court of Justice, as itemized below, which, in the opinion of the Bank's management, based on the opinion of the managements of its subsidiaries, and on the opinion of their legal counsel, the prospects for which cannot be estimated on the date of the financial statements, hence no provision was made for these.

A) In June 2024, the Bank was served with a claim and a motion to approve a class action to the sum of NIS 700 million, filed before the Tel Aviv District Court. The motion concerns the payment of interest on credit balances in current accounts managed at the bank, by way of their deposit to the automatic daily interest deposit existing at the Bank. The motion claims that the Bank does not inform and does not actively offer all of its customers the option of using the said deposit and thus prevents them from receiving interest on credit balances in their account, this in connection with the period beginning from April 2022 onward, while violating various legal provisions, disclosure obligations and unlawful acquisition of wealth.
The Bank is to file its response to the certification motion by March 10, 2025. A pre-trial hearing is scheduled for May 14, 2025.

B) In January 2025, Bank Yahav was served with a class action, alleging that the latter collects third-party commissions in respect of securities transactions without prior notice and without informing the customers, thereby allegedly breaching the law; in the opinion of Bank Yahav's legal advisors it is not yet possible to assess the chances of the class action.

11) Motions for class action status and a motion for approval of a derivative claim are pending against the Bank and subsidiaries thereof, as follows:

A) In August 2023, the Bank received a motion filed with the Tel Aviv Yafo District Court by two individual shareholders of the Bank, seeking an order for document disclosure pursuant to Section 198a of the Corporate Law, 1999 – against the Bank, members of the Bank Board of Directors and the CEO & President of the Bank ("defendants" and "motion", respectively), to order the Bank and/or any of the other defendants to disclose to the plaintiffs various documents with regard to obtaining a mortgage. The motion alleges that the plaintiffs have *prima facie* evidence, whereby the Bank allegedly assists its customers from the Jewish Orthodox segment to subvert the Bank of Israel directives and mandatory reporting pursuant to the AML Law, and that this indicates a failure in conduct of the Bank, its officers and employees, which justified consideration of filing a derivative lawsuit against Bank officers and employees regarding damage incurred by the Bank due to their deeds and omissions.
On November 3, 2024, a hearing was held, at the end of which the Court handed down a verdict which approved the applicants' withdrawal of the motion.

B) On September 25, 2019 a motion was filed against Union Bank ("Union") to approve a derived suit (hereinafter: "the motion") against 20 individual defendants who, allegedly, serve or have served as Board members of Union Bank. According to its arguments, the motion deals with credit Union provided a large lender (who is undergoing insolvency proceedings) in 2004-2008.
On January 3, 2024, a verdict was handed down confirming the settlement agreement on the motion for approval of a derivative lawsuit.

12) In October 2024, a lawsuit was filed against Bank Yahav, the Minister of Finance, the Bank of Israel, the Governor of the Bank of Israel, the Supervisor of Banks and the CEO of Bank Yahav. The lawsuit alleges that the plaintiff was caused damages due to an alleged refusal by Bank Yahav to carry out for them banking activity. The amount claimed in the lawsuit in respect of all defendants is estimated by the plaintiff at approx. NIS 498 million. Further to the dismissal of the plaintiff's motion for exemption from fees, and since the fees' payment date has elapsed, on January 30, 2025 the Court ordered that the action will be struck off.

13) In October 2020, the Bank and Apple signed an agreement, whereby Bank customers with iOS-based devices can pay using their Bank-issued credit cards on the Apple Pay app.
In February 2019, the Bank entered into an agreement with Israel Credit Cards Ltd. (hereinafter: "CAL") and with Diners Club Israel Ltd., a company controlled by CAL (hereinafter: "Diners") – (hereinafter jointly: "CAL Group") to extend the agreement on joint issuing of charge cards to Bank customers. The extension of this agreement revised the commercial terms agreed by the parties in previous agreements.

Note 26 – Contingent Liabilities and Special Commitments – continued

In February 2019, the Bank signed with Isracard Ltd. and with Europay (Eurocard) Israel Ltd. an extension to the agreement on joint issuing of charge cards to Bank customers. The extension of this agreement revised the commercial terms agreed by the parties in previous agreements. The Bank also has an agreement with Poalim Express Ltd. of Isracard Group on joint issuing of charge cards to Bank customers.
In December 2022, the Bank signed with MaxIt Finance Ltd. an agreement on joint issuing of charge cards to Bank customers.
The agreements with the credit card companies are subject to all regulatory requirements required by statute, if any.

14) A trust company that is a subsidiary of the Bank executes trust translations that include primarily trusteeships for trust funds, for bond holders, for owners of restricted shares and for the maintenance of bank accounts.

15) The Bank has undertaken vis-à-vis the trustees for bonds and subordinated obligatory notes issued by Mizrahi Tefahot Issue Company Ltd., to fulfill the payment terms, as stated in the bonds and subordinated notes.

16) The Bank contracts loan syndication transactions with multiple institutional investors. Some of these transactions are organized, managed and operated by the Bank.
For more information about syndication transactions, see Note 30D.

D. Guarantees by maturity

The Bank provides a wide range of guarantees and indemnification to its customers, to allow them to conduct a wide range of transactions. The maximum amount of potential future payments is determined based on the amount stated in the guarantee, without accounting for any potential refunds or collateral helped or pledged. Most guarantees at the Bank are rated by credit performance rating.

The following are guarantees issued by the Bank, by maturity date (NIS in millions):

	As of December 31, 2024				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	3,292	657	99	146	4,194
Guarantees to home buyers	12,778	5,616	202	75	18,671
Guarantees and other commitments	8,256	4,246	2,956	115	15,573
Commitments to issue guarantees	4,015	8,352	3,009	-	15,376
Total guarantees	**28,341**	**18,871**	**6,266**	**336**	**53,814**

	As of December 31, 2023				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	2,665	493	110	177	3,445
Guarantees to home buyers	9,827	4,110	515	160	14,612
Guarantees and other commitments	5,252	2,021	596	5,672	13,541
Commitments to issue guarantees	4,240	5,887	2,387	-	12,514
Total guarantees	**21,984**	**12,511**	**3,608**	**6,009**	**44,112**

Note 27 – Liens

On January 01, 2022, the updates to Proper Conduct of Banking Business Directive 336 regarding "Pledging assets of a banking corporation" became effective. These updates result from the increase in scope and variety of activities for which banking corporations are required to pledge assets. The directive includes requirements with regard to management of pledged assets and the risks associated therewith. The updated directive transitions from a quantitative directive to a qualitative one, with a requirement for proper management and monitoring of pledging of assets. Accordingly, the Bank has set policy on this matter which governs, *inter alia*, management of these operations subject to corporate governance rules, risk management as well as control and monitoring, with due consideration to the importance of this matter and to materiality of these operations at the banking corporation at Group level.

Below is a summary description of pledged Bank assets as of December 31, 2024.

A. Stock exchange members are required to deposit a system of collateral to secure the fulfillment of all their obligations, the obligations of their customers and the obligations of the other stock exchange members that are not members of the clearinghouse and their customers, to the stock exchange clearinghouse, with respect to transactions executed through the stock exchange clearinghouse, and to secure their share in the risks fund for this activity (as discussed below in Note 26.C.1).

   In the framework of system of collateral, the Bank deposits liquid collateral, as provided below:

   1) In the account opened by the stock exchange clearinghouse in its name ("collateral account in clearinghouse") government bonds of the Bank were deposited as collateral in favor of the stock exchange clearinghouse, at the full value of the customers' obligations plus the Bank's share in the risk fund. As of December 31, 2024 no bonds were deposited in this account. (As of December 31, 2023: NIS 12 million).

   2) Additionally, as from June 19, 2017, in the account opened by the stock exchange clearinghouse in the Bank of Israel in its name on behalf of the Bank, cash is deposited that the Bank furnishes as collateral, as well as the cash to be paid as income on securities that were deposited in the account, the clearinghouse's collateral or cash originating in any other financial right deriving from those securities, including cash proceeds from their sale. As of December 31, 2024, deposits to this account amounted to NIS 277 million (as of December 31, 2023: NIS 238 million).

   3) The aforementioned account in section 1 above was pledged by a first-ranked lien in favor of the stock exchange clearinghouse. The aforementioned account in section 2 above was pledged by a first-ranked lien and by assignment by way of pledge of unlimited amount in favor of the stock exchange clearinghouse.

   Furthermore, stock exchange members are required to deposit a system of collateral that secures the fulfillment of their obligations relating to MAOF transactions that are executed by them or their customers or by stock exchange members that are not members of the MAOF Clearinghouse and their customers, and to secure their share in the risks fund covering this activity, as provided below in Note 26.C.2).

   Accordingly, the Bank was required to deposit only liquid collateral, for the full exposure of activity in derivatives and for its share in the risks fund, as provided below:

   1) In the account opened in the TASE Clearinghouse in the name of the MAOF Clearinghouse ("main MAOF collateral account"), government bonds of the Bank were deposited as security in favor of the MAOF Clearinghouse, at the full value of the requirements for customers' collateral plus the Bank's share in the risks fund. The value of bonds deposited as of December 31, 2024 is NIS 254 million (as of December 31, 2023: NIS 253 million).

   2) Additionally, as from June 19, 2017, in the account opened by the MAOF clearinghouse in its own name on behalf of the Bank with the Bank of Israel, cash is deposited that the Bank furnishes as collateral, as well as the cash to be paid as income on securities that will be deposited in a major clearinghouse collateral account or cash originating in any other financial right deriving from said securities, including cash proceeds from their sale. As of December 31, 2024, deposits to this account amounted to NIS 90 million (as of December 31, 2023: NIS 92 million).

   3) The aforementioned account in section 1 above is pledged by a floating and fixed lien in favor of the MAOF clearinghouse. The aforementioned account in section 2 above was pledged by a first-ranked lien and by assignment by way of pledge of unlimited amount in favor of the MAOF clearinghouse.

B. The Bank of Israel operates the Real Time Gross Settlement system (hereinafter: RTGS) – a system which allows customers to transfer in real time NIS-denominated amounts between bank accounts in the same bank or between banks.

Note 27 – Liens – continued

The Bank of Israel provides daily and intra-day credit for participants in the **RTGS** system against specific liens on Bank bonds in the Bank of Israel account with the stock exchange clearinghouse. As of December 31, 2024 and as of December 31, 2023, no bonds were deposited in this account.

C The Bank conducts securities operations through the EuroClear clearinghouse, which is a settlement system for securities traded on international markets. For these operations, the Bank pledged securities valued, as of December 31, 2024, at USD 14 million (as of December 31, 2023: USD 15 million) and deposited cash amounting to USD 0.2 million (as of December 31, 2023: USD 0.005 million).

To secure Bank customer activity involving options overseas, the Bank provides as collateral bonds of foreign governments. For these operations, the Bank pledged securities valued, as of December 31, 2024, at USD 14 million (as of December 31, 2023: USD 14 million) and deposited cash amounting to USD 1 million (as of December 31, 2023: USD 0.07 million).

D. The Bank and subsidiaries contract Credit Support Annex (CSA) agreements with counter parties, intended to minimize the mutual credit risks created between parties when trading in derivatives. According to these agreements, the fair value of the parties' rights and obligations are measured periodically, and if either party's exposure exceeds the threshold specified in advance, then that party would make a transfer to the other party so as to limit the exposure until the next measurement date.

As of December 31, 2024, the Bank Group has provided to counter parties deposits amounting to NIS 190 million (December 31, 2023: NIS 726 million).

Under the EMIR regulation, applicable to some counter parties with whom the Bank trades OTC derivatives, the Bank is required to use central settlement for some of its transactions with such counter parties through LCH. As part of the central settlement requirements at LCH, the Bank is required to cap the variation margin and the initial margin using transfers to cap such exposure.

As of December 31, 2024, the Bank Group has provided NIS 54 million for variation margin capping, and for capping of initial margin capping – NIS 363 million (as of December 31, 2023: NIS 223 million and NIS 388 million, respectively).

E In accordance with the requirement of the regulatory agencies in the USA, the Bank's branch pledged securities worth USD 78 million as of the balance sheet date (as of December 31, 2023: USD 31 million), used to secure deposits of the public or to comply with other government regulations, or to fulfill other government directives.

F. To secure credit facilities provided to the Bank by the Bank of Israel, the Bank has pledged an account containing foreign securities. As of December 31, 2024 and December 31, 2023, the Bank pledged no foreign securities.

G. The Bank has pledged a bonds valued at NIS 344 million to secure long-term monetary loans received from the Bank of Israel to finance loans to micro and small businesses.

H.

	As of December 31	
	2024	**2023**
Sources of securities which have been received and which the Bank may sell or pledge, at fair value excluding set-offs:		
Securities received in transactions for borrowing securities against cash	264	106

I. On December 30, 2020, the Bank signed a pledge agreement and a secured bond to secure credit received from time to time from the Bank of Israel, whereby the Bank pledged by a first-ranked lien of unlimited amount and by assignment by way of pledge all assets and rights in specific accounts in the name of the Bank of Israel at the Tel Aviv Stock Exchange clearing house and at Euroclear, as well as all its assets and rights in certain residential mortgages and collateral to secure such loans, which are part of the residential mortgage portfolio originated by the Bank (for more information see Note 27.G.).

Note 27 – Liens – continued

J. In conformity with directives of the Supervision Unit over Payment Systems at the Bank of Israel, as from April 2023, operators of controlled payment systems specified for the systems they are responsible for, procedures in case of default, designed to enable the system operator to complete the settlement when due, in case of default by participants in the settlement for said date. The default arrangements would be applied to operations with SHVA (debit card services and ATM switching system) and MASAV. As part of these arrangements, as of December 31, 2024 the Bank deposited with the Bank of Israel, NIS 587 million in the MASAV account and NIS 63 million in the SHVA account (debit card services system).

Note 28 – Derivative instruments and hedging activities

Reported amounts (NIS in millions)

A) Description of derivatives and the risks inherent in such activity:

1) Overview

The Bank's activities in derivative instruments, such as futures contracts and forward trades, options and financial swaps, are executed both as broker for its customers and as part of the management of its assets and liabilities and in order to minimize as much as possible the Bank's exposure to market risks.

The Bank designates certain derivative instruments as fair value hedges or as cash flow hedges. For more information, see Note 1.D.16. to the financial statements.

2) Types and description of activity in financial derivative instruments

The activities in financial derivative instruments include currency contracts, interest rate contracts and other contracts, and contracts for customers in the MAOF market, on different indices and assets, as outlined below:

- Forward transactions and futures contracts:

  A contract between two parties to buy or sell a specified quantity of commodities, currencies, interest or other financial instruments (hereinafter: "underlying asset"), to be executed on a future date and at a price specified in advance.
- Swaps:

  Contracts to exchange a specified quantity of underlying assets on the transaction date, with a reciprocal obligation to re-exchange the items that had been exchanged on a future date.
- Options:

  Contracts that confer, in return for the payment of a premium, the right to purchase (call) or sell (put) the underlying assets at a pre-determined fixed price, quantity and time.
- Spot trades (transactions for immediate delivery):

  Exchanges of two currencies, based on an exchange rate agreed in advance, to be executed within two business days.
- Credit derivatives:

  Contracts that confer, in return for the payment of a one-time or periodic premium, the right to receive payment in the event of a change in credit rating, the inability to honor obligations or any other credit event, relating to the State or the company, as stipulated in the contract.
- Fair value hedges:

  The Bank designates certain derivatives as fair value hedges. Change in fair value of derivatives hedging exposure to change in fair value of an asset, liability or firm commitment, is regularly recognized on the statement of profit and loss, as is the change in fair value of the hedged item, which may be attributed to the hedged risk.
- Cash flows hedges:

  The Bank designates certain derivatives as cash flows hedges. The accounting treatment of changes to fair value of derivatives hedging exposure to change in cash flows from an asset, liability or anticipated transaction depends on the effectiveness of hedging relationship.
  - The effective portion of the change in fair value of derivatives used to hedge cash flows is initially recognized under equity (off the statement of profit and loss), as a component of Other Comprehensive Income and then, when the anticipated transaction impacts the statement of profit and loss, it is reclassified to the statement of profit and loss.
  - The non-effective portion of the change in fair value of derivatives thus designated is immediately recognized on the statement of profit and loss.

Note 28 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

B) Activity on a consolidated basis

	December 31, 2024			December 31, 2023		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
1. Stated amounts of derivative instruments						
Interest contracts						
Forward contracts	-	5,200	5,200	-	2,600	2,600
Options written	-	-	-	-	1	1
Options purchased	-	-	-	-	-	-
Swaps[(1)(6)]	38,119	63,107	101,226	[(7)]37,287	[(7)]54,373	91,660
Total[(2)]	**38,119**	**68,307**	**106,426**	**37,287**	**56,974**	**94,261**
Of which: Hedging derivatives[(3)]	**8,427**	**-**	**8,427**	**3,141**	**-**	**3,141**
Currency contracts						
Forward contracts[(4)] and futures contracts[(6)]	63,926	171,433	235,359	41,630	157,360	198,990
Options written	-	9,054	9,054	-	10,818	10,818
Options purchased	-	9,790	9,790	-	10,562	10,562
Swaps	729	1,219	1,948	915	1,435	2,350
Total	**64,655**	**191,496**	**256,151**	**42,545**	**180,175**	**222,720**
Of which: Hedging derivatives[(3)]	**-**	**-**	**-**	**-**	**-**	**-**
Contracts for shares						
Forward contracts and futures contracts	-	45,529	45,529	-	35,006	35,006
Options written	174	9,877	10,051	110	9,429	9,539
Options purchased[(5)]	-	9,879	9,879	-	9,431	9,431
Swaps	-	837	837	-	640	640
Total	**174**	**66,122**	**66,296**	**110**	**54,506**	**54,616**
Commodities and other contracts						
Forward contracts and futures contracts	-	15	15	-	120	120
Options written	-	-	-	-	-	-
Options purchased	-	-	-	-	-	-
Total	**-**	**15**	**15**	**-**	**120**	**120**
Credit contracts						
Bank is guarantor	-	-	-	-	-	-
Bank is beneficiary	-	-	-	22	-	22
Total	**-**	**-**	**-**	**22**	**-**	**22**
Total stated amount	**102,948**	**325,940**	**428,888**	**79,964**	**291,775**	**371,739**

(1) Of which: swaps for which the banking corporation pays a fixed interest rate amounting to NIS 59,603 million (as of December 31, 2023: NIS 55,293 million).
(2) Of which: NIS/CPI swaps amounting to NIS 4,908 million (as of December 31, 2023: NIS 5,361 million).
(3) The Bank conducts fair value hedging and cash flow hedging through interest rate swap contracts and NIS/CPI swap contracts, respectively.
(4) Of which: Foreign currency spot swaps amounting to NIS 7,893 million (as of December 31, 2023: NIS 3,657 million).
(5) Of which: Traded on the Stock Exchange, amounting to NIS 9,877 million (as of December 31, 2023: NIS 9,425 million).
(6) Including diversion between the trading portfolio and the banking portfolio, primarily due to proactive internal transactions as part of asset and liability management.
(7) Reclassified

Note 28 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

B) Activity on a consolidated basis – continued

	December 31, 2024					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
2. Fair value of derivative instruments, gross						
Interest contracts	1,351	866	2,217	973	694	1,667
Of which: Hedging derivatives	357	-	357	75	-	75
Currency contracts[(1)]	291	2,134	2,425	44	2,527	2,571
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	10	899	909	-	885	885
Commodities and other contracts	-	-	-	-	-	-
Credit contracts	-	-	-	-	-	-
Total assets / liabilities with respect to derivatives, gross[(2)]	**1,652**	**3,899**	**5,551**	**1,017**	**4,106**	**5,123**
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	**1,652**	**3,899**	**5,551**	**1,017**	**4,106**	**5,123**
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	38	1,237	1,275	9	1,250	1,259

	December 31, 2023					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
2. Fair value of derivative instruments, gross						
Interest contracts	1,277	701	1,978	959	663	1,622
Of which: Hedging derivatives	208	-	208	50	-	50
Currency contracts[(1)]	94	3,694	3,788	13	5,215	5,228
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	3	526	529	-	512	512
Commodities and other contracts	-	3	3	-	3	3
Credit contracts	-	-	-	2	-	2
Total assets / liabilities with respect to derivatives, gross[(2)]	**1,374**	**4,924**	**6,298**	**974**	**6,393**	**7,367**
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	**1,374**	**4,924**	**6,298**	**974**	**6,393**	**7,367**
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	30	1,199	1,229	9	2,320	2,329

(1) Including diversion between the trading portfolio and the banking portfolio, primarily due to proactive internal transactions as part of asset and liability management.

(2) Of which: Gross fair value of assets with respect to embedded derivative instruments amounting to NIS 25 million (as of December 31, 2023 NIS 16 million).

Note 28 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

C) Accounting hedges

1. Fair value hedge[(1)]

	For the year ended December 31	
	2024	2023
	Interest revenues (expenses)	
Interest contracts		
Hedged items	(82)	-
Hedging derivatives	93	3

	Balance as of December 31			
	2024		2023	
	Book value	Cumulative fair value adjustments that increased the book value	Book value	Cumulative fair value adjustments that increased the book value
Securities available for sale	3,892	40	2,404	20
Mortgages credit	2,724	10	-	-

2. Cash flows hedges[(2)]

	For the year ended December 31			
	2024		2023	
	Amounts recognized in Other Comprehensive Income (loss) from derivatives	Interest revenues (expenses)	Amounts recognized in Other Comprehensive Income (loss) from derivatives	Interest revenues (expenses)
Mortgages credit	2	(15)	3	(17)

(1) Reflects amounts included in assessment of hedge effectiveness.

(2) Reflects amounts excluded from assessment of hedge effectiveness, for which the difference between the change in fair value and the periodic write-down is recognized on Other Comprehensive Income (Loss).

Note 28 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

D) Credit risk on financial derivatives according to counter-party to the contract – Consolidated

	December 31, 2024						
	Stock exchanges	Banks	Dealers/ Brokers	Govern-ments and central banks	Institutional investors	Others	Total
Carrying amount of assets with respect to derivative instruments	**33**	**3,051**	**773**	**19**	**1,198**	**477**	**5,551**
Gross amounts not offset in the balance sheet:							
Mitigation of credit risk with respect to financial instruments	-	(1,802)	-	-	(1,064)	(159)	(1)(3,025)
Mitigation of credit risk with respect to cash collateral received	-	(1,249)	-	(15)	(134)	(48)	(1,446)
On-balance sheet credit risk with respect to derivative instruments	**33**	**-**	**773**	**4**	**-**	**270**	**1,080**
Net off-balance sheet credit risk with respect to derivative instruments(2)	67	399	1,723	14	2,808	372	5,383
Total credit risk on derivative instruments	**100**	**399**	**2,496**	**18**	**2,808**	**642**	**6,463**
Carrying amount of liabilities with respect to derivative instruments	**33**	**1,809**	**773**	**-**	**1,939**	**569**	**5,123**
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(1,802)	-	-	(1,064)	(159)	(3,025)
Pledged cash collateral	-	(7)	-	-	(218)	-	(225)
Net amount of liabilities with respect to derivative instruments	**33**	**-**	**773**	**-**	**657**	**410**	**1,873**

	December 31, 2023						
	Stock exchanges	Banks	Dealers/ Brokers	Govern-ments and central banks	Institutional investors	Others	Total
Carrying amount of assets with respect to derivative instruments	**57**	**2,877**	**419**	**73**	**2,280**	**592**	**6,298**
Gross amounts not offset in the balance sheet:							
Mitigation of credit risk with respect to financial instruments	-	(2,028)	-	(27)	(1,745)	(376)	(1)(4,176)
Mitigation of credit risk with respect to cash collateral received	-	(439)	-	(45)	(834)	(1)	(1,319)
On-balance sheet credit risk with respect to derivative instruments	**57**	**410**	**419**	**1**	**(299)**	**215**	**803**
Net off-balance sheet credit risk with respect to derivative instruments(2)	91	588	1,472	26	1,811	555	4,543
Total credit risk on derivative instruments	**148**	**998**	**1,891**	**27**	**1,512**	**770**	**5,346**
Carrying amount of liabilities with respect to derivative instruments	**45**	**2,324**	**419**	**41**	**3,958**	**580**	**7,367**
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(2,028)	-	(27)	(1,745)	(376)	(4,176)
Pledged cash collateral	-	(296)	-	(14)	(584)	-	(894)
Net amount of liabilities with respect to derivative instruments	**45**	**-**	**419**	**-**	**1,629**	**204**	**2,297**

(1) This balance consists entirely of derivative instruments subject to offset agreements.

(2) The difference, if positive, between the total amounts with respect to derivative instruments (including with respect to derivative instruments with negative fair value) included under borrower indebtedness, as calculated for restrictions on indebtedness of a borrower, after mitigation of credit risk, and the on-balance sheet credit risk with respect to derivative instruments of the borrower.

In 2024, the Bank recognized revenues due to an decrease in credit losses with respect to derivatives, amounting to NIS 9 million (in 2023 the Bank recognized revenues due to a decrease in credit losses with respect to derivatives, amounting to NIS 18 million. In 2022, the Bank recognized expenses due to an increase in credit losses with respect of derivatives, amounting to NIS 32 million).

Note 28 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

E) Maturity dates – stated amounts: year-end balances – Consolidated

	December 31, 2024				
	Up to three months	3 months to 1 year	1-5 years	Over 5 years	Total
Interest contracts:					
NIS – CPI	875	2,103	1,335	595	4,908
Other	10,217	26,906	46,297	18,098	101,518
Currency contracts	171,534	79,976	4,537	104	256,151
Contracts for shares	65,409	839	48	-	66,296
Commodities and other contracts	1	14	-	-	15
Total	**248,036**	**109,838**	**52,217**	**18,797**	**428,888**

	December 31, 2023				
Total	**220,970**	**95,742**	**37,759**	**17,268**	**371,739**

Note 29 – Operating Segments and Geographic Regions

A. Information regarding supervisory operating segments

On November 3, 2014, the Supervisor of Banks issued an update to the Public Reporting Directives concerning supervisory operating segments. According to the directive, the Bank is required to provide, on its financial statements, disclosure with regard to supervisory operating segments in conformity with a uniform, comparable layout specified by the Supervisor of Banks; attribution to supervisory operating segments is typically determined by the turnover volume for customers.

The financial information on the Report of the Board of Directors and Management is included based on definitions of supervisory segments.

In addition, the financial statements include, in this Note, disclosure with regard to "Operating segments in conformity with the management approach".

An operating segment in conformity with the management approach is a Bank component with operations which may derive revenues and incur expenses which meet the following criteria:

- Its operating results are regularly reviewed for the purpose of decision making about resource allocation and for performance evaluation.
- Separate financial information is available for it.

In fact, there is a strong correlation between supervisory operating segments and "operating segments in conformity with the management approach" but nevertheless, there are some differences in customer attribution to segments and in decision making. Therefore, at this stage, the financial statements also include reporting of operating results in conformity with "the management approach", as noted above.

Supervisory operating segments

Supervisory operating segments include operating segments for individuals and operating segments for other than individuals (including business operating segments, institutional investors and financial management of the Bank).

Individuals are defined as persons with no indebtedness to the Bank or whose indebtedness is classified as indebtedness of "individuals – residential mortgages and others", in conformity with definitions of credit risk classification by economic sector.

Definitions of supervisory operating segments are as follows:

Households – individuals, other than private banking customers, as noted below.

Private banking – individuals who manage a financial asset portfolio in excess of NIS 3 million.

Small and micro businesses – businesses with turnover amounting up to NIS 50 million.

Medium businesses – businesses with turnover higher than NIS 50 million and lower than NIS 250 million.

Large businesses – businesses with turnover higher than NIS 250 million.

Institutional investors – Businesses which own pension funds, study funds, mutual funds, ETFs, insurance companies, stock exchange members, portfolio managers.

Financial management – includes trading operations, asset and liability management and non-banking investments.

Trade operations – Investment in securities held for trading, market making operations for securities, operations involving derivatives not designated as hedges and which are not part of asset and liability management for the Bank, borrowing of securities for trading, short selling of securities, underwriting services for securities.

Asset and liability management – including investment in bonds available for sale and in bonds held to maturity, hedging using derivatives, ALM hedging, deposits with banks and deposits from banks in Israel and overseas, currency hedging of investments overseas, deposits with and from Governments.

Real investments – Investment in shares available for sale and in associated companies of businesses.

Other financial management operations – management, operation, trust and custody services for banks, sale and management of loan portfolios.

The aforementioned operating segments are divided into operations in Israel and operations overseas; operations overseas are presented separately and are divided into operations of individuals and business operations only.

Note 29 – Operating Segments and Geographic Regions – Continued

For the year ended December 31, 2024

Reported amounts (NIS in millions)

	Households – other	Households – residential mortgages	Private banking	Small and micro businesses	Medium businesses
Interest revenues from externals	2,067	12,026	3	2,812	988
Interest expenses from externals	3,342	25	1,074	1,588	491
Interest revenues, net from externals	(1,275)	12,001	(1,071)	1,224	497
Interest revenues, net – inter-segment	5,123	(9,205)	1,481	1,368	149
Total interest revenues, net	**3,848**	**2,796**	**410**	**2,592**	**646**
Non-interest financing revenues	-	-	-	-	-
Commissions and other revenues	682	123	47	548	104
Total non-interest revenues	682	123	47	548	104
Total revenues	**4,530**	**2,919**	**457**	**3,140**	**750**
Expenses due to credit losses	139	64	-	156	74
Operating and other expenses to externals	2,234	829	35	1,039	167
Operating and other expenses – inter-segment	3	-	3	6	(2)
Total operating and other expenses	**2,237**	**829**	**38**	**1,045**	**165**
Pre-tax profit	2,154	2,026	419	1,939	511
Provision for taxes on profit	799	751	155	718	189
After-tax profit	**1,355**	**1,275**	**264**	**1,221**	**322**
Share of banking corporation in earnings of associated companies	-	-	-	-	-
Net profit before attribution to non-controlling interests	1,355	1,275	264	1,221	322
Net profit attributed to non-controlling interests	(174)	-	-	(14)	-
Net profit attributable to shareholders of the banking corporation	**1,181**	**1,275**	**264**	**1,207**	**322**
Average balance of assets	26,616	215,013	96	35,924	12,642
Of which: Investments in associated companies	-	-	-	-	-
Average balance of loans to the public	26,616	215,013	96	35,924	12,642
Balance of loans to the public at end of reported period	28,111	(3)225,294	141	39,287	13,831
Balance of non-accruing debts and debts in arrears over 90 days	146	2,141	-	895	327
Balance of other problematic debts	126	-	-	619	148
Balance of provision for credit losses at end of reported period	673	1,180	1	1,375	299
Net accounting write-offs in the reported period	144	-	-	110	115
Average balance of liabilities	134,768	-	30,161	57,676	14,123
Of which: Average balance of deposits from the public	134,768	-	30,161	57,676	14,123
Balance of deposits from the public at end of reported period	133,619	-	30,815	61,352	14,866
Average balance of risk assets(1)	22,814	128,007	50	31,952	15,111
Balance of risk assets at end of reported period(1)	22,714	134,087	103	32,628	15,581
Average balance of assets under management(2)	53,697	9,383	24,275	57,798	16,210
Breakdown of interest revenues, net:					
Margin from credit granting operations	942	2,375	1	1,257	386
Margin from activities of receiving deposits	2,840	-	409	1,206	210
Other	66	421	-	129	50
Total interest revenues, net	**3,848**	**2,796**	**410**	**2,592**	**646**

(1) Risk assets – as calculated for capital adequacy purposes (Proper Conduct of Banking Business Directive 201).
(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.
(3) Of which: Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 10,949 million.

Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Private individuals	Business operations	Total – operations overseas	Total
2,806	89	2,859	23,650	51	2,097	2,148	25,798
1,830	3,203	1,687	13,240	69	675	744	13,984
976	(3,114)	1,172	10,410	(18)	1,422	1,404	11,814
357	3,345	(1,833)	785	35	(820)	(785)	-
1,333	**231**	**(661)**	**11,195**	**17**	**602**	**619**	**11,814**
-	-	574	574	-	-	-	574
205	58	545	2,312	4	17	21	2,333
205	58	1,119	2,886	4	17	21	2,907
1,538	**289**	**458**	**14,081**	**21**	**619**	**640**	**14,721**
(114)	4	1	324	-	195	195	519
281	173	333	5,091	10	121	131	5,222
1	(8)	(3)	-	-	-	-	-
282	**165**	**330**	**5,091**	**10**	**121**	**131**	**5,222**
1,370	120	127	8,666	11	303	314	8,980
507	44	47	3,210	4	112	116	3,326
863	**76**	**80**	**5,456**	**7**	**191**	**198**	**5,654**
-	-	16	16	-	-	-	16
863	76	96	5,472	7	191	198	5,670
-	-	(27)	(215)	-	-	-	(215)
863	**76**	**69**	**5,257**	**7**	**191**	**198**	**5,455**
39,447	4,267	97,916	431,921	509	33,140	33,649	465,570
-	-	252	252	-	-	-	252
39,447	4,267	-	334,005	151	9,646	9,797	343,802
40,630	3,852	-	351,146	70	10,878	10,948	362,094
338	-	-	3,847	-	541	541	4,388
432	-	-	1,325	-	58	58	1,383
356	8	-	3,892	-	221	221	4,113
(31)	-	-	338	-	92	92	430
40,450	83,815	58,618	419,611	1,577	12,856	14,433	434,044
40,450	83,815	-	360,993	1,306	12,843	14,149	375,142
42,312	93,393	-	376,357	1,616	15,410	17,026	393,383
58,051	1,529	20,852	278,366	2,393	10,195	12,588	290,954
64,010	1,825	22,374	293,322	80	13,962	14,042	307,364
27,153	423,400	3,387	615,303	-	-	-	615,303
914	37	-	5,912	5	349	354	6,266
248	189	-	5,102	10	97	107	5,209
171	5	(661)	181	2	156	158	339
1,333	**231**	**(661)**	**11,195**	**17**	**602**	**619**	**11,814**

Note 29 – Operating Segments and Geographic Regions – Continued

For the year ended December 31, 2023

Reported amounts (NIS in millions)

	Households – other[4]	Households – residential mortgages	Private banking[4]	Small and micro businesses	Medium businesses
Interest revenues from externals	2,042	11,061	7	2,884	961
Interest expenses from externals	2,739	-	991	1,290	403
Interest revenues (expenses), net from externals	(697)	11,061	(984)	1,594	558
Interest revenues (expenses), net – inter-segment	4,433	(8,351)	1,367	1,064	89
Total interest revenues, net	3,736	2,710	383	2,658	647
Non-interest financing revenues	-	-	-	-	-
Commissions and other revenues	656	119	48	584	101
Total non-interest revenues	656	119	48	584	101
Total revenues	**4,392**	**2,829**	**431**	**3,242**	**748**
Expenses due to credit losses	324	247	-	526	106
Operating and other expenses to externals	2,323	893	39	1,149	192
Operating and other expenses – inter-segment	4	-	1	7	(4)
Total operating and other expenses	2,327	893	40	1,156	188
Pre-tax profit	1,741	1,689	391	1,560	454
Provision for taxes on profit	600	582	134	537	156
After-tax profit	1,141	1,107	257	1,023	298
Share of banking corporation in earnings of associated companies	-	-	-	-	-
Net profit before attribution to non-controlling interests	1,141	1,107	257	1,023	298
Net profit attributed to non-controlling interests	(144)	-	-	(15)	-
Net profit attributable to shareholders of the banking corporation	**997**	**1,107**	**257**	**1,008**	**298**
Average balance of assets	26,964	202,312	165	34,380	12,265
Of which: Investments in associated companies	-	-	-	-	-
Average balance of loans to the public	26,964	202,312	165	34,380	12,265
Balance of loans to the public at end of reported period	27,397	[3]206,562	149	34,947	12,171
Balance of non-accruing debts and debts in arrears over 90 days	145	2,153	-	895	253
Balance of other problematic debts	124	-	-	639	347
Balance of provision for credit losses at end of reported period	676	1,129	1	1,335	300
Net accounting write-offs in the reported period	134	-	-	129	23
Average balance of liabilities	126,823	-	29,332	55,604	12,705
Of which: Average balance of deposits from the public	126,823	-	29,332	55,604	12,705
Balance of deposits from the public at end of reported period	130,335	-	30,420	56,791	14,270
Average balance of risk assets[1]	22,128	120,257	47	32,948	14,545
Balance of risk assets at end of reported period[1]	22,499	123,185	35	32,062	14,435
Average balance of assets under management[2]	45,205	10,045	18,957	44,826	10,481
Breakdown of interest revenues, net:					
Margin from credit granting operations	1,073	2,335	-	1,372	388
Margin from activities of receiving deposits	2,609	-	383	1,160	210
Other	54	375	-	126	49
Total interest revenues, net	3,736	2,710	383	2,658	647

(1) Risk assets – as calculated for capital adequacy purposes (Proper Conduct of Banking Business Directive 201).
(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.
(3) Of which: Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 12,349 million.
(4) Reclassified

Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Private individuals	Business operations	Total – operations overseas	Total
2,401	63	2,889	22,308	69	1,628	1,697	24,005
1,514	3,034	1,525	11,496	51	483	534	12,030
887	(2,971)	1,364	10,812	18	1,145	1,163	11,975
302	3,175	(1,405)	674	(8)	(666)	(674)	-
1,189	**204**	**(41)**	**11,486**	**10**	**479**	**489**	**11,975**
-	-	511	511	-	-	-	511
242	51	460	2,261	15	18	33	2,294
242	51	971	2,772	15	18	33	2,805
1,431	**255**	**930**	**14,258**	**25**	**497**	**522**	**14,780**
154	1	10	1,368	-	95	95	1,463
317	173	380	5,466	8	95	103	5,569
-	(2)	(6)	-	-	-	-	-
317	**171**	**374**	**5,466**	**8**	**95**	**103**	**5,569**
960	83	546	7,424	17	307	324	7,748
331	29	188	2,557	6	106	112	2,669
629	**54**	**358**	**4,867**	**11**	**201**	**212**	**5,079**
-	-	1	1	-	-	-	1
629	54	359	4,868	11	201	212	5,080
-	-	(11)	(170)	-	-	-	(170)
629	**54**	**348**	**4,698**	**11**	**201**	**212**	**4,910**
33,847	1,104	96,126	407,163	641	26,989	27,630	434,793
-	-	200	200	-	-	-	200
33,847	1,104	-	311,037	163	7,538	7,701	318,738
36,286	2,851	-	320,363	206	8,846	9,052	329,415
235	-	-	3,681	-	156	156	3,837
1,044	-	-	2,154	-	159	159	2,313
494	7	-	3,942	-	127	127	4,069
1	-	-	287	-	-	-	287
37,000	68,801	65,494	395,759	1,117	10,459	11,576	407,335
37,000	68,801	-	330,265	897	9,174	10,071	340,336
35,612	78,904	-	346,332	1,218	11,003	12,221	358,553
46,011	1,660	16,442	254,038	395	9,415	9,810	263,848
52,998	754	18,275	264,243	69	11,128	11,197	275,440
30,003	379,239	2,121	540,877	-	-	-	540,877
783	23	-	5,974	6	267	273	6,247
262	176	-	4,800	2	107	109	4,909
144	5	(41)	712	2	105	107	819
1,189	**204**	[5] **(41)**	**11,486**	**10**	**479**	**489**	**11,975**

Note 29 – Operating Segments and Geographic Regions – Continued

For the year ended December 31, 2022

Reported amounts (NIS in millions)

	Households – other	Households – residential mortgages	Private banking	Small and micro businesses	Medium businesses
Interest revenues from externals	1,540	9,361	3	1,952	573
Interest expenses from externals	1,228	-	386	453	148
Interest revenues (expenses), net from externals	312	9,361	(383)	1,499	425
Interest revenues (expenses), net – inter-segment	1,879	(6,811)	555	359	32
Total interest revenues, net	**2,191**	**2,550**	**172**	**1,858**	**457**
Non-interest financing revenues	-	-	-	-	-
Commissions and other revenues	730	155	17	564	99
Total non-interest revenues	730	155	17	564	99
Total revenues	**2,921**	**2,705**	**189**	**2,422**	**556**
Expenses (reduction of expenses) with respect to credit losses	97	99	-	113	94
Operating and other expenses to externals	2,448	988	19	1,270	264
Operating and other expenses – inter-segment	(4)	-	(1)	(9)	-
Total operating and other expenses	**2,444**	**988**	**18**	**1,261**	**264**
Pre-tax profit (loss)	380	1,618	171	1,048	198
Provision (reduced provision) for taxes on profit	129	547	58	355	67
After-tax profit (loss)	**251**	**1,071**	**113**	**693**	**131**
Share of banking corporation in earnings of associated companies	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	251	1,071	113	693	131
Net profit attributed to non-controlling interests	(110)	-	-	(10)	-
Net profit (loss) attributable to shareholders of the banking corporation	**141**	**1,071**	**113**	**683**	**131**
Average balance of assets	25,473	188,681	143	33,520	11,526
Of which: Investments in associated companies	-	-	-	-	-
Average balance of loans to the public	25,473	188,681	143	33,520	11,526
Balance of loans to the public at end of reported period	27,559	196,717(3)	154	35,147	12,902
Balance of non-accruing debts and debts in arrears over 90 days	99	1,329	-	902	197
Balance of other problematic debts	123	-	-	508	194
Balance of provision for credit losses at end of reported period	495	897	1	995	198
Net accounting write-offs in the reported period	67	-	-	74	88
Average balance of liabilities	125,472	-	23,325	54,974	14,044
Of which: Average balance of deposits from the public	122,240	-	23,325	54,974	14,044
Balance of deposits from the public at end of reported period	125,823	-	25,755	55,805	13,570
Average balance of risk assets(1)	23,125	108,389	66	30,550	13,610
Balance of risk assets at end of reported period(1)	21,520	116,855	58	33,036	14,098
Average balance of assets under management(2)	68,230	9,487	3,001	42,270	8,668
Breakdown of interest revenues, net:					
Margin from credit granting operations	1,011	2,358	1	1,311	337
Margin from activities of receiving deposits	1,164	-	167	480	97
Other	16	192	4	67	23
Total interest revenues, net	**2,191**	**2,550**	**172**	**1,858**	**457**

(1) Risk assets – as calculated for capital adequacy purposes (Proper Conduct of Banking Business Directive 201).
(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.
(3) Of which: Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 13,797 million.

Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Private individuals	Business operations	Total – operations overseas	Total
1,093	46	1,075	15,643	23	529	552	16,195
591	1,213	1,861	5,880	7	68	75	5,955
502	(1,167)	(786)	9,763	16	461	477	10,240
300	1,406	2,510	230	(4)	(226)	(230)	-
802	239	1,724	9,993	12	235	247	10,240
-	-	754	754	-	-	-	754
190	49	844	2,648	6	20	26	2,674
190	49	1,598	3,402	6	20	26	3,428
992	**288**	**3,322**	**13,395**	**18**	**255**	**273**	**13,668**
101	-	-	504	-	28	28	532
381	199	527	6,096	9	68	77	6,173
5	2	7	-	-	-	-	-
386	201	534	6,096	9	68	77	6,173
505	87	2,788	6,795	9	159	168	6,963
171	29	943	2,299	3	54	57	2,356
334	58	1,845	4,496	6	105	111	4,607
-	-	5	5	-	-	-	5
334	58	1,850	4,501	6	105	111	4,612
-	-	(20)	(140)	-	-	-	(140)
334	**58**	**1,830**	**4,361**	**6**	**105**	**111**	**4,472**
27,131	1,925	107,471	395,870	725	16,925	17,650	413,520
-	-	346	346	-	-	-	346
27,131	1,925	-	288,399	308	4,985	5,293	293,692
28,779	2,559	-	303,817	545	5,994	6,539	310,356
163	-	-	2,690	-	-	-	2,690
402	4	-	1,231	-	28	28	1,259
260	3	-	2,849	-	35	35	2,884
7	-	-	236	-	33	33	269
37,382	65,945	58,708	379,850	436	5,481	5,917	385,767
37,382	65,945	-	317,910	304	5,299	5,603	323,513
39,636	75,938	-	336,527	627	7,360	7,987	344,514
37,854	2,280	12,910	228,784	527	6,355	6,882	235,666
43,490	2,343	12,652	244,052	562	7,637	8,199	252,251
32,728	374,075	1,837	540,296	-	-	-	540,296
602	28	-	5,648	10	155	165	5,813
141	197	-	2,246	1	11	12	2,258
59	14	1,724	2,099	1	69	70	2,169
802	239	1,724	9,993	12	235	247	10,240

Note 29 – Operating Segments and Geographic Regions – Continued
Individuals – households and private banking – operations in Israel

For the year ended December 31, 2024

Reported amounts (NIS in millions)

	Household Segment				Private Banking Segment			
	Residential mortgages	**Credit cards**	**Other**	**Total – Households**	**Credit cards**	**Other**	**Total – private banking**	**Total**
Interest revenues from externals	12,026	59	2,008	14,093	-	3	3	14,096
Interest expenses from externals	25	-	3,342	3,367	-	1,074	1,074	4,441
Interest revenues (expenses), net from externals	12,001	59	(1,334)	10,726	-	(1,071)	(1,071)	9,655
Interest revenues (expenses), net – inter-segment	(9,205)	(15)	5,138	(4,082)	-	1,481	1,481	(2,601)
Total interest revenues, net	**2,796**	**44**	**3,804**	**6,644**	**-**	**410**	**410**	**7,054**
Non-interest financing revenues	-	-	-	-	-	-	-	-
Commissions and other revenues	123	192	490	805	3	44	47	852
Total non-interest revenues	123	192	490	805	3	44	47	852
Total revenues	**2,919**	**236**	**4,294**	**7,449**	**3**	**454**	**457**	**7,906**
Expenses due to credit losses	64	5	134	203	-	-	-	203
Operating and other expenses to externals	829	68	2,166	3,063	(1)	36	35	3,098
Operating and other expenses – inter-segment	-	-	3	3	1	2	3	6
Total operating and other expenses	**829**	**68**	**2,169**	**3,066**	**-**	**38**	**38**	**3,104**
Pre-tax profit	2,026	163	1,991	4,180	3	416	419	4,599
Provision for taxes on profit	751	60	739	1,550	1	154	155	1,705
After-tax profit	**1,275**	**103**	**1,252**	**2,630**	**2**	**262**	**264**	**2,894**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	1,275	103	1,252	2,630	2	262	264	2,894
Net profit attributed to non-controlling interests	-	(3)	(171)	(174)	-	-	-	(174)
Net profit attributable to shareholders of the banking corporation	**1,275**	**100**	**1,081**	**2,456**	**2**	**262**	**264**	**2,720**
Average balance of assets	215,013	3,746	22,870	241,629	36	60	96	241,725
Of which: Investments in associated companies	-	-	-	-	-	-	-	-
Average balance of loans to the public	215,013	3,746	22,870	241,629	36	60	96	241,725
Balance of loans to the public at end of reported period	225,294	4,970	23,141	253,405	59	82	141	253,546
Balance of non-accruing debts	2,141	-	83	2,224	-	-	-	2,224
Balance of debt in arrears 90 days or longer	-	-	63	63	-	-	-	63
Average balance of liabilities	-	-	134,768	134,768	-	30,161	30,161	164,929
Of which: Average balance of deposits from the public	-	-	134,768	134,768	-	30,161	30,161	164,929
Balance of deposits from the public at end of reported period	-	-	133,619	133,619	-	30,815	30,815	164,434
Average balance of risk assets	128,007	4,482	18,332	150,821	33	17	50	150,871
Balance of risk assets at end of reported period	134,087	4,627	18,087	156,801	63	40	103	156,904
Average balance of assets under management	9,383	-	53,697	63,080	-	24,275	24,275	87,355
Breakdown of interest revenues, net:								
Margin from credit granting operations	2,375	44	898	3,317	-	1	1	3,318
Margin from activities of receiving deposits	-	-	2,840	2,840	-	409	409	3,249
Other	421	-	66	487	-	-	-	487
Total interest revenues, net	**2,796**	**44**	**3,804**	**6,644**	**-**	**410**	**410**	**7,054**

Note 29 – Operating Segments and Geographic Regions – Continued
Individuals – households and private banking – operations in Israel

For the year ended December 31, 2023

Reported amounts (NIS in millions)

	Household Segment				Private Banking Segment			
	Residential mortgages	Credit cards	Other(1)	Total – Households(1)	Credit cards	Other(1)	Total – private banking(1)	Total
Interest revenues from externals	11,061	58	1,984	13,103	-	7	7	13,110
Interest expenses from externals	-	-	2,739	2,739	-	991	991	3,730
Interest revenues (expenses), net from externals	11,061	58	(755)	10,364	-	(984)	(984)	9,380
Interest revenues (expenses), net – inter-segment	(8,351)	(16)	4,449	(3,918)	-	1,367	1,367	(2,551)
Total interest revenues, net	**2,710**	**42**	**3,694**	**6,446**	**-**	**383**	**383**	**6,829**
Non-interest financing revenues	-	-	-	-	-	-	-	-
Commissions and other revenues	119	192	464	775	2	46	48	823
Total non-interest revenues	119	192	464	775	2	46	48	823
Total revenues	**2,829**	**234**	**4,158**	**7,221**	**2**	**429**	**431**	**7,652**
Expenses due to credit losses	247	4	320	571	-	-	-	571
Operating and other expenses to externals	893	72	2,251	3,216	(1)	40	39	3,255
Operating and other expenses – inter-segment	-	-	4	4	1	-	1	5
Total operating and other expenses	**893**	**72**	**2,255**	**3,220**	**-**	**40**	**40**	**3,260**
Pre-tax profit	1,689	158	1,583	3,430	2	389	391	3,821
Provision for taxes on profit	582	54	546	1,182	1	133	134	1,316
After-tax profit	**1,107**	**104**	**1,037**	**2,248**	**1**	**256**	**257**	**2,505**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	1,107	104	1,037	2,248	1	256	257	2,505
Net profit attributed to non-controlling interests	**-**	**(3)**	**(141)**	**(144)**	**-**	**-**	**-**	**(144)**
Net profit attributable to shareholders of the banking corporation	**1,107**	**101**	**896**	**2,104**	**1**	**256**	**257**	**2,361**
Average balance of assets	202,312	4,491	22,473	229,276	27	138	165	229,441
Of which: Investments in associated companies	-	-	-	-	-	-	-	-
Average balance of loans to the public	202,312	4,491	22,473	229,276	27	138	165	229,441
Balance of loans to the public at end of reported period	206,562	4,506	22,891	233,959	26	123	149	234,108
Balance of non-accruing debts	2,153	-	74	2,227	-	-	-	2,227
Balance of debt in arrears 90 days or longer	-	-	71	71	-	-	-	71
Average balance of liabilities	-	-	126,823	126,823	-	29,332	29,332	156,155
Of which: Average balance of deposits from the public	-	-	126,823	126,823	-	29,332	29,332	156,155
Balance of deposits from the public at end of reported period	-	-	130,335	130,335	-	30,420	30,420	160,755
Average balance of risk assets	120,257	4,237	17,891	142,385	7	40	47	142,432
Balance of risk assets at end of reported period	123,185	4,663	17,836	145,684	7	28	35	145,719
Average balance of assets under management	10,045	-	45,205	55,250	-	18,957	18,957	74,207
Breakdown of interest revenues, net:								
Margin from credit granting operations	2,335	42	1,031	3,408	-	-	-	3,408
Margin from activities of receiving deposits	-	-	2,609	2,609	-	383	383	2,992
Other	375	-	54	429	-	-	-	429
Total interest revenues, net	**2,710**	**42**	**3,694**	**6,446**	**-**	**383**	**383**	**6,829**

(1) Reclassified

Note 29 – Operating Segments and Geographic Regions – Continued
Individuals – households and private banking – operations in Israel

For the year ended December 31, 2022

Reported amounts (NIS in millions)

	Household Segment				Private Banking Segment			
	Residential mortgages	**Credit cards**	**Other**	**Total – Households**	**Credit cards**	**Other**	**Total – private banking**	**Total**
Interest revenues from externals	9,361	42	1,498	10,901	-	3	3	10,904
Interest expenses from externals	-	-	1,228	1,228	-	386	386	1,614
Interest revenues (expenses), net from externals	9,361	42	270	9,673	-	(383)	(383)	9,290
Interest revenues (expenses), net – inter-segment	(6,811)	(8)	1,887	(4,932)	-	555	555	(4,377)
Total interest revenues, net	**2,550**	**34**	**2,157**	**4,741**	**-**	**172**	**172**	**4,913**
Non-interest financing revenues	-	-	-	-	-	-	-	-
Commissions and other revenues	155	141	589	885	1	16	17	902
Total non-interest revenues	155	141	589	885	1	16	17	902
Total revenues	**2,705**	**175**	**2,746**	**5,626**	**1**	**188**	**189**	**5,815**
Expenses due to credit losses	99	8	89	196	-	-	-	196
Operating and other expenses to externals	988	65	2,383	3,436	-	19	19	3,455
Operating and other expenses – inter-segment	-	(1)	(3)	(4)	-	(1)	(1)	(5)
Total operating and other expenses	**988**	**64**	**2,380**	**3,432**	**-**	**18**	**18**	**3,450**
Pre-tax profit (loss)	1,618	103	277	1,998	1	170	171	2,169
Provision for taxes on profit	547	35	94	676	-	58	58	734
After-tax profit (loss)	**1,071**	**68**	**183**	**1,322**	**1**	**112**	**113**	**1,435**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	1,071	68	183	1,322	1	112	113	1,435
Net profit attributed to non-controlling interests	-	(6)	(104)	(110)	-	-	-	(110)
Net profit (loss) attributable to shareholders of the banking corporation	**1,071**	**62**	**79**	**1,212**	**1**	**112**	**113**	**1,325**
Average balance of assets	188,681	3,232	22,241	214,154	22	121	143	214,297
Of which: Investments in associated companies	-	-	-	-	-	-	-	-
Average balance of loans to the public	188,681	3,232	22,241	214,154	22	121	143	214,297
Balance of loans to the public at end of reported period	196,717	4,622	22,937	224,276	26	128	154	224,430
Balance of non-accruing debts	1,329	-	55	1,384	-	-	-	1,384
Balance of debt in arrears 90 days or longer	-	-	44	44	-	-	-	44
Average balance of liabilities	-	3,232	122,240	125,472	-	23,325	23,325	148,797
Of which: Average balance of deposits from the public	-	-	122,240	122,240	-	23,325	23,325	145,565
Balance of deposits from the public at end of reported period	-	-	125,823	125,823	-	25,755	25,755	151,578
Average balance of risk assets	108,389	4,204	18,921	131,514	7	59	66	131,580
Balance of risk assets at end of reported period	116,855	4,123	17,397	138,375	7	51	58	138,433
Average balance of assets under management	9,487	-	68,230	77,717	-	3,001	3,001	80,718
Breakdown of interest revenues, net:								
Margin from credit granting operations	2,358	34	977	3,369	-	1	1	3,370
Margin from activities of receiving deposits	-	-	1,164	1,164	-	167	167	1,331
Other	192	-	16	208	-	4	4	212
Total interest revenues, net	**2,550**	**34**	**2,157**	**4,741**	**-**	**172**	**172**	**4,913**

Note 29 – Operating Segments and Geographic Regions – Continued
Small and micro, medium and large business – operations in Israel

For the year ended December 31, 2024

Reported amounts (NIS in millions)

	Small and micro business segment			Medium business segment			Large business segment		
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total
Interest revenues from externals	1,038	1,774	2,812	317	671	988	1,808	998	2,806
Interest expenses from externals	267	1,321	1,588	70	421	491	292	1,538	1,830
Interest revenues, net from externals	771	453	1,224	247	250	497	1,516	(540)	976
Interest revenues (expenses), net – inter-segment	(140)	1,508	1,368	(104)	253	149	(876)	1,233	357
Total interest revenues, net	**631**	**1,961**	**2,592**	**143**	**503**	**646**	**640**	**693**	**1,333**
Non-interest financing revenues	-	-	-	-	-	-	-	-	-
Commissions and other revenues	93	455	548	25	79	104	134	71	205
Total non-interest revenues	93	455	548	25	79	104	134	71	205
Total revenues	**724**	**2,416**	**3,140**	**168**	**582**	**750**	**774**	**764**	**1,538**
Expenses due to credit losses	113	43	156	(11)	85	74	(77)	(37)	(114)
Operating and other expenses to externals	135	904	1,039	10	157	167	61	220	281
Operating and other expenses – inter-segment	-	6	6	-	(2)	(2)	-	1	1
Total operating and other expenses	**135**	**910**	**1,045**	**10**	**155**	**165**	**61**	**221**	**282**
Pre-tax profit	476	1,463	1,939	169	342	511	790	580	1,370
Provision for taxes on profit	176	542	718	63	126	189	292	215	507
After-tax profit	**300**	**921**	**1,221**	**106**	**216**	**322**	**498**	**365**	**863**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	300	921	1,221	106	216	322	498	365	863
Net profit attributed to non-controlling interests	-	(14)	(14)	-	-	-	-	-	-
Net profit attributable to shareholders of the banking corporation	**300**	**907**	**1,207**	**106**	**216**	**322**	**498**	**365**	**863**
Average balance of assets	12,406	23,518	35,924	3,932	8,710	12,642	24,232	15,215	39,447
Of which: Investments in associated companies	-	-	-	-	-	-	-	-	-
Average balance of loans to the public	12,406	23,518	35,924	3,932	8,710	12,642	24,232	15,215	39,447
Balance of loans to the public at end of reported period	12,815	26,472	39,287	3,735	10,096	13,831	25,336	15,294	40,630
Balance of non-accruing debts	213	600	813	37	290	327	329	9	338
Balance of debt in arrears 90 days or longer	15	67	82	-	-	-	-	-	-
Average balance of liabilities	10,462	47,214	57,676	1,985	12,138	14,123	7,053	33,397	40,450
Of which: Average balance of deposits from the public	10,462	47,214	57,676	1,985	12,138	14,123	7,053	33,397	40,450
Balance of deposits from the public at end of reported period	10,868	50,484	61,352	2,467	12,399	14,866	7,648	34,664	42,312
Average balance of risk assets	13,169	18,783	31,952	4,817	10,294	15,111	37,496	20,555	58,051
Balance of risk assets at end of reported period	13,134	19,494	32,628	4,475	11,106	15,581	41,583	22,427	64,010
Average balance of assets under management	5,353	52,445	57,798	4,292	11,918	16,210	6,541	20,612	27,153
Breakdown of interest revenues, net:									
Margin from credit granting operations	409	848	1,257	111	275	386	601	313	914
Margin from activities of receiving deposits	221	985	1,206	37	173	210	69	179	248
Other	1	128	129	(5)	55	50	(30)	201	171
Total interest revenues, net	**631**	**1,961**	**2,592**	**143**	**503**	**646**	**640**	**693**	**1,333**

Note 29 – Operating Segments and Geographic Regions – Continued
Small and micro, medium and large business – operations in Israel

For the year ended December 31, 2023

Reported amounts (NIS in millions)

	Small and micro business segment			Medium business segment			Large business segment		
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total
Interest revenues from externals	1,085	1,799	2,884	322	639	961	1,435	966	2,401
Interest expenses from externals	230	1,060	1,290	49	354	403	268	1,246	1,514
Interest revenues (expenses), net from externals	855	739	1,594	273	285	558	1,167	(280)	887
Interest revenues (expenses), net – inter-segment	(167)	1,231	1,064	(125)	214	89	(615)	917	302
Total interest revenues, net	**688**	**1,970**	**2,658**	**148**	**499**	**647**	**552**	**637**	**1,189**
Non-interest financing revenues	-	-	-	-	-	-	-	-	-
Commissions and other revenues	115	469	584	32	69	101	140	102	242
Total non-interest revenues	115	469	584	32	69	101	140	102	242
Total revenues	**803**	**2,439**	**3,242**	**180**	**568**	**748**	**692**	**739**	**1,431**
Expenses due to credit losses	90	436	526	12	94	106	107	47	154
Operating and other expenses to externals	151	998	1,149	12	180	192	67	250	317
Operating and other expenses – inter-segment	-	7	7	-	(4)	(4)	(1)	1	-
Total operating and other expenses	**151**	**1,005**	**1,156**	**12**	**176**	**188**	**66**	**251**	**317**
Pre-tax profit	562	998	1,560	156	298	454	519	441	960
Provision for taxes on profit	194	343	537	54	102	156	179	152	331
After-tax profit	**368**	**655**	**1,023**	**102**	**196**	**298**	**340**	**289**	**629**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	368	655	1,023	102	196	298	340	289	629
Net profit attributed to non-controlling interests	-	(15)	(15)	-	-	-	-	-	-
Net profit attributable to shareholders of the banking corporation	**368**	**640**	**1,008**	**102**	**196**	**298**	**340**	**289**	**629**
Average balance of assets	13,225	21,155	34,380	3,983	8,282	12,265	18,868	14,979	33,847
Of which: Investments in associated companies	-	-	-	-	-	-	-	-	-
Average balance of loans to the public	13,225	21,155	34,380	3,983	8,282	12,265	18,868	14,979	33,847
Balance of loans to the public at end of reported period	13,453	21,494	34,947	4,012	8,159	12,171	20,604	15,682	36,286
Balance of non-accruing debts	209	613	822	32	221	253	185	50	235
Balance of debt in arrears 90 days or longer	15	58	73	-	-	-	-	-	-
Average balance of liabilities	10,838	44,766	55,604	1,876	10,829	12,705	7,654	29,346	37,000
Of which: Average balance of deposits from the public	10,838	44,766	55,604	1,876	10,829	12,705	7,654	29,346	37,000
Balance of deposits from the public at end of reported period	10,299	46,492	56,791	1,806	12,464	14,270	8,305	27,307	35,612
Average balance of risk assets	13,926	19,022	32,948	4,950	9,595	14,545	28,580	17,431	46,011
Balance of risk assets at end of reported period	13,954	18,108	32,062	4,926	9,509	14,435	32,562	20,436	52,998
Average balance of assets under management	4,084	40,742	44,826	1,414	9,067	10,481	9,653	20,350	30,003
Breakdown of interest revenues, net:									
Margin from credit granting operations	438	934	1,372	109	279	388	501	282	783
Margin from activities of receiving deposits	241	919	1,160	37	173	210	50	212	262
Other	9	117	126	2	47	49	1	143	144
Total interest revenues, net	**688**	**1,970**	**2,658**	**148**	**499**	**647**	**552**	**637**	**1,189**

Note 29 – Operating Segments and Geographic Regions – Continued
Small and micro, medium and large business – operations in Israel

For the year ended December 31, 2022

Reported amounts (NIS in millions)

	Small and micro business segment			Medium business segment			Large business segment		
	Construc-tion and real estate	**Other**	**Total**	**Construc-tion and real estate**	**Other**	**Total**	**Construc-tion and real estate**	**Other**	**Total**
Interest revenues from externals	661	1,291	1,952	176	397	573	677	416	1,093
Interest expenses from externals	71	382	453	15	133	148	72	519	591
Interest revenues, net from externals	590	909	1,499	161	264	425	605	(103)	502
Interest revenues (expenses), net – inter-segment	(61)	420	359	(37)	69	32	(134)	434	300
Total interest revenues, net	**529**	**1,329**	**1,858**	**124**	**333**	**457**	**471**	**331**	**802**
Non-interest financing revenues	-	-	-	-	-	-	-	-	-
Commissions and other revenues	96	468	564	32	67	99	111	79	190
Total non-interest revenues	96	468	564	32	67	99	111	79	190
Total revenues	**625**	**1,797**	**2,422**	**156**	**400**	**556**	**582**	**410**	**992**
Expenses (reduction of expenses) with respect to credit losses	60	53	113	11	83	94	90	11	101
Operating and other expenses to externals	-	1,270	1,270	-	264	264	5	376	381
Operating and other expenses – inter-segment	-	(9)	(9)	-	-	-	5	-	5
Total operating and other expenses	**-**	**1,261**	**1,261**	**-**	**264**	**264**	**10**	**376**	**386**
Pre-tax profit	565	483	1,048	145	53	198	482	23	505
Provision for taxes on profit	191	164	355	49	18	67	163	8	171
After-tax profit	**374**	**319**	**693**	**96**	**35**	**131**	**319**	**15**	**334**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	374	319	693	96	35	131	319	15	334
Net profit attributed to non-controlling interests	-	(10)	(10)	-	-	-	-	-	-
Net profit attributable to shareholders of the banking corporation	**374**	**309**	**683**	**96**	**35**	**131**	**319**	**15**	**334**
Average balance of assets	11,988	21,532	33,520	3,467	8,059	11,526	15,528	11,603	27,131
Of which: Investments in associated companies	-	-	-	-	-	-	-	-	-
Average balance of loans to the public	11,988	21,532	33,520	3,467	8,059	11,526	15,528	11,603	27,131
Balance of loans to the public at end of reported period	13,057	22,090	35,147	3,522	9,380	12,902	23,581	5,198	28,779
Balance of non-accruing debts	219	614	833	33	164	197	6	157	163
Balance of debt in arrears 90 days or longer	22	47	69	-	-	-	-	-	-
Average balance of liabilities	11,053	43,921	54,974	2,575	11,469	14,044	8,570	28,812	37,382
Of which: Average balance of deposits from the public	11,053	43,921	54,974	2,575	11,469	14,044	8,570	28,812	37,382
Balance of deposits from the public at end of reported period	11,395	44,410	55,805	2,269	11,301	13,570	8,583	31,053	39,636
Average balance of risk assets	12,090	18,460	30,550	4,441	9,169	13,610	24,562	13,292	37,854
Balance of risk assets at end of reported period	13,825	19,211	33,036	4,736	9,362	14,098	27,348	16,142	43,490
Average balance of assets under management	4,212	38,058	42,270	1,855	6,813	8,668	8,216	24,512	32,728
Breakdown of interest revenues, net:									
Margin from credit granting operations	405	906	1,311	101	236	337	387	215	602
Margin from activities of receiving deposits	100	380	480	16	81	97	39	102	141
Other	24	43	67	7	16	23	45	14	59
Total interest revenues, net	**529**	**1,329**	**1,858**	**124**	**333**	**457**	**471**	**331**	**802**

Note 29 – Operating Segments and Geographic Regions – Continued
Financial Management Segment – Operations in Israel, Consolidated
For the year ended December 31, 2024
Reported amounts (NIS in millions)

	Financial management segment				
	Trading activity	Asset and liability management activity	Real investment activity	Other	Total
Interest revenues from externals	13	2,846	-	-	2,859
Interest expenses from externals	-	1,687	-	-	1,687
Interest revenues (expenses), net from externals	13	1,159	-	-	1,172
Interest revenues (expenses), net – inter-segment	(2)	(1,831)	-	-	(1,833)
Interest revenues (expenses), net	**11**	**(672)**	**-**	**-**	**(661)**
Non-interest revenues from externals – financing	291	134	149	-	574
Non-interest revenues from externals – operating	36	-	-	509	545
Non-interest revenues – inter-segment	-	-	-	-	-
Total non-interest revenues	327	134	149	509	1,119
Total revenues	**338**	**(538)**	**149**	**509**	**458**
Expenses due to credit losses	-	-	-	1	1
Operating and other expenses from externals	1	-	-	332	333
Operating and other expenses – inter-segment	(1)	-	-	(2)	(3)
Total operating and other expenses	**-**	**-**	**-**	**330**	**330**
Pre-tax profit (loss)	338	(538)	149	178	127
Provision (reduced provision) for taxes on profit	125	(199)	55	66	47
After-tax profit (loss)	**213**	**(339)**	**94**	**112**	**80**
Share of banking corporation in earnings of associated companies	-	-	-	16	16
Net profit (loss) before attribution to non-controlling interests	213	(339)	94	128	96
Net profit attributed to non-controlling interests	-	-	-	(27)	(27)
Net profit (loss) attributable to shareholders of the banking corporation	**213**	**(339)**	**94**	**101**	**69**
Average balance of assets	8,685	82,727	252	6,252	97,916
Includes: Investments in associated companies	-	-	252	-	252
Average balance of liabilities	-	18,245	-	40,373	58,618
Includes: Average balance of deposits from the public	-	-	-	-	-
Balance of deposits from the public at end of reported period	-	-	-	-	-
Average balance of risk assets	4,145	7,109	2,192	7,406	20,852
Balance of risk assets at end of reported period	4,145	7,109	2,192	8,928	22,374
Average balance of assets under management	-	3,379	-	8	3,387
Components of net interest revenues and non-interest financing revenues:					
Exchange rate differentials, net	40	-	-	-	-
CPI differentials, net	8	1,000	-	-	-
Interest exposure, net	177	(1,754)	-	-	-
Equity exposure, net	10	-	-	-	-
Interest spreads attributable to financial management	-	90	-	-	-
Total net interest revenues and non-interest revenues, by accrual basis	235	(664)	-	-	-
Gains or losses from sale or other than temporary impairment of bonds	-	(65)	-	-	-
Change in difference between fair value and accrual basis of derivative instruments recognized in profit and loss	-	191	-	-	-
Other non-interest revenues	103	-	-	-	-
Total net interest revenues and non-interest revenues	**338**	**(538)**	**-**	**-**	**-**

Note 29 – Operating Segments and Geographic Regions – Continued
Financial Management Segment – Operations in Israel, Consolidated
For the year ended December 31, 2023

Reported amounts (NIS in millions)

	Financial management segment				
	Trading activity	**Asset and liability management activity**	**Real investment activity**	**Other**	**Total**
Interest revenues from externals	4	2,885	-	-	2,889
Interest expenses from externals	-	1,525	-	-	1,525
Interest revenues (expenses), net from externals	4	1,360	-	-	1,364
Interest revenues (expenses), net – inter-segment	15	(1,420)	-	-	(1,405)
Interest expenses, net	**19**	**(60)**	**-**	**-**	**(41)**
Non-interest revenues from externals – financing	202	279	30	-	511
Non-interest revenues from externals – operating	152	-	-	308	460
Non-interest revenues – inter-segment	-	-	-	-	-
Total non-interest revenues	354	279	30	308	971
Total revenues	**373**	**219**	**30**	**308**	**930**
Reduced expenses with respect to credit losses	-	-	-	10	10
Operating and other expenses from externals	1	-	-	379	380
Operating and other expenses – inter-segment	(1)	-	-	(5)	(6)
Total operating and other expenses	**-**	**-**	**-**	**374**	**374**
Pre-tax profit (loss)	373	219	30	(76)	546
Provision (reduced provision) for taxes on profit	129	75	10	(26)	188
After-tax profit (loss)	**244**	**144**	**20**	**(50)**	**358**
Share of banking corporation in earnings of associated companies	-	-	-	1	1
Net profit (loss) before attribution to non-controlling interests	244	144	20	(49)	359
Net profit attributed to non-controlling interests	-	-	-	(11)	(11)
Net profit (loss) attributable to shareholders of the banking corporation	**244**	**144**	**20**	**(60)**	**348**
Average balance of assets	6,738	79,679	486	9,223	96,126
Includes: Investments in associated companies	-	-	200	-	200
Average balance of liabilities	-	22,719	-	42,775	65,494
Includes: Average balance of deposits from the public	-	-	-	-	-
Balance of deposits from the public at end of reported period	-	-	-	-	-
Average balance of risk assets	2,468	3,090	636	10,248	16,442
Balance of risk assets at end of reported period	4,112	4,654	685	8,824	18,275
Average balance of assets under management	-	2,282	-	(161)	2,121
Components of net interest revenues and non-interest financing revenues:					
Exchange rate differentials, net	63	20	-	-	-
CPI differentials, net	6	935	-	-	-
Interest exposure, net	94	(677)	-	-	-
Equity exposure, net	(3)	-	-	-	-
Interest spreads attributable to financial management	-	81	-	-	-
Total net interest revenues and non-interest revenues, by accrual basis	160	359	-	-	-
Gains or losses from sale or other than temporary impairment of bonds	-	(127)	-	-	-
Change in difference between fair value and accrual basis of derivative instruments recognized in profit and loss	-	(13)	-	-	-
Other non-interest revenues	213	-	-	-	-
Total net interest revenues and non-interest revenues	373	219	-	-	-

Note 29 – Operating Segments and Geographic Regions – Continued
Financial Management Segment – Operations in Israel, Consolidated

For the year ended December 31, 2022

Reported amounts (NIS in millions)

	Financial management segment				
	Trading activity	Asset and liability management activity	Real investment activity	Other	Total
Interest revenues from externals	25	1,050	-	-	1,075
Interest expenses from externals	-	1,861	-	-	1,861
Interest revenues (expenses), net from externals	25	(811)	-	-	(786)
Interest revenues (expenses), net – inter-segment	(5)	2,515	-	-	2,510
Interest revenues (expenses), net	**20**	**1,704**	**-**	**-**	**1,724**
Non-interest revenues from externals – financing	345	450	(49)	8	754
Non-interest revenues from externals – operating	113	-	-	731	844
Non-interest revenues – inter-segment	-	-	-	-	-
Total non-interest revenues	458	450	(49)	739	1,598
Total revenues	**478**	**2,154**	**(49)**	**739**	**3,322**
Expenses due to credit losses	-	-	-	-	-
Operating and other expenses from externals	1	-	-	526	527
Operating and other expenses – inter-segment	1	-	-	6	7
Total operating and other expenses	**2**	**-**	**-**	**532**	**534**
Pre-tax profit (loss)	476	2,154	(49)	207	2,788
Provision for taxes on profit	161	729	(17)	70	943
After-tax profit (loss)	**315**	**1,425**	**(32)**	**137**	**1,845**
Share of banking corporation in earnings of associated companies	-	-	-	5	5
Net profit (loss) before attribution to non-controlling interests	315	1,425	(32)	142	1,850
Net profit attributed to non-controlling interests	-	-	-	(20)	(20)
Net profit (loss) attributable to shareholders of the banking corporation	**315**	**1,425**	**(32)**	**122**	**1,830**
Average balance of assets	214	92,452	346	14,459	107,471
Includes: Investments in associated companies	-	-	346	-	346
Average balance of liabilities	-	16,444	-	42,264	58,708
Includes: Average balance of deposits from the public	-	-	-	-	-
Balance of deposits from the public at end of reported period	-	-	-	-	-
Average balance of risk assets	2,005	1,997	797	8,111	12,910
Balance of risk assets at end of reported period	1,354	1,837	640	8,821	12,652
Average balance of assets under management	-	2,125	-	(288)	1,837
Components of net interest revenues and non-interest financing revenues:					
Exchange rate differentials, net	143	34	-	-	-
CPI differentials, net	9	1,135	-	-	-
Interest exposure, net	121	857	-	-	-
Equity exposure, net	9	-	-	-	-
Interest spreads attributable to financial management	-	77	-	-	-
Total net interest revenues and non-interest revenues, by accrual basis	282	2,103	-	-	-
Gains or losses from sale or other than temporary impairment of bonds	-	(201)	-	-	-
Change in difference between fair value and accrual basis of derivative instruments recognized in profit and loss	-	242	-	-	-
Other non-interest revenues	196	10	-	-	-
Total net interest revenues and non-interest revenues	478	2,154	-	-	-

Note 29 – Operating Segments and Geographic Regions – Continued

Reported amounts (NIS in millions)

B. Information about operations by geographic region

	Revenues[1]			Net profit attributable to shareholders of the banking corporation			Total assets	
	For the year ended December 31							
	2024	2023	2022	2024	2023	2022	2024	2023
Israel	13,296	13,584	13,165	5,257	4,698	4,361	443,163	407,129
Other – outside of Israel	1,425	1,196	503	198	171	212	42,480	41,075
Total consolidated	**14,721**	**14,780**	**13,668**	**5,455**	**4,910**	**4,472**	**485,643**	**448,204**

(1) Revenues – net interest revenues and non-interest revenues.

C. Operating segments in conformity with the management approach

The Bank manages its operations in six major operating segments, which are distinguished by customer characteristics and type of banking services required, as well as by the organizational unit responsible for servicing each segment. Operating segment definition is based on the Bank's organizational structure, as described below. The operations in the six operating segments include all areas of banking operations including classic banking activity (loans and deposits), securities activity for customers and activity in derivatives, as well as custom banking services designed for needs in specific fields. Operations of the various segments are conducted through Bank branches, the trading room, the business centers, headquarters units of the Bank and Bank subsidiaries in Israel and overseas. For more information about measurement of Bank operations in conformity with the supervisory segments approach, as specified by the Supervisor of Banks, see chapter "Supervisory operating segments". The Bank's Chief Operating Decision Marker (hereinafter - the CODM) in accordance with accounting principles generally accepted in the USA is the Bank's President & CEO.

Below are the Bank's operating segments in conformity with the management approach:

Household segment – under the responsibility of the Retail Division. This segment includes small household customers and mortgage operations. The division provides appropriate banking services and financial products to segment customers, including in the field of mortgages.

Small business segment – under responsibility of the Retail Division, which also serves micro business customers (businesses with annual turnover below NIS 10 million) and small businesses (with annual turnover from NIS 10 million to under NIS 50 million). Occasionally, due to growth in activity of a customer served by the Retail Division, the customer may exceed the aforementioned criteria. Banking services and financial products, including commercial banking services as required, are provided to segment customers.

Private banking – private banking is under responsibility of the Private Banking and International Operations sector of the Financial Division. Private banking sector customers are individual customers with liquid assets (primarily short-term deposits and investments in securities) over NIS 1 million. Customers of this segment have high financial wealth, to whom the Bank offers access to unique products and services in capital market activity, advisory service and investment management.

Commercial banking – customers of this segment are private and public companies of medium size (middle market) and medium level of indebtedness, and are served by the Business Banking Division, primarily by the Business sector, which operates via three business centers located throughout Israel. As from 2019, new business customers with annual turnover from NIS 50 million to under NIS 250 million are assigned to the Business sector. Segment customers operating in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.

Business banking – the Major Corporations sector in the Corporate Division is responsible for the Business Banking segment, which is the focal point for handling the largest business customers. As from 2019, businesses with annual turnover above NIS 250 million are assigned to the Corporate Sector. This segment provides a range of banking and financial services to the largest companies in the economy, in an array of industries, at relatively high levels of indebtedness. Segment customers operating in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.

Financial management – operations in this segment include, inter alia, management of assets and liabilities, management of exposure to market risk, management of the nostro portfolio and liquidity management as well as trading room operations in the financial and capital markets. The Finance Division is responsible for this segment, except for investments in non-banking corporations, for which the Corporate Division is responsible.

The major products and guidelines for attribution of balances, revenues and expenses to customers in the system to operating segments in conformity with the management approach, are similar to products and guidelines according to the supervisory operating segment approach.

Note 29 – Operating Segments and Geographic Regions – Continued
Operating segments in conformity with the management approach

For the year ended December 31, 2024

Reported amounts (NIS in millions)

	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total consolidated
Interest revenues (expenses), net								
From externals	(1,657)	10,944	(171)	525	238	428	1,507	11,814
Inter-segment	6,329	(8,620)	234	1,635	270	2,000	(1,848)	-
Total interest revenues, net	**4,672**	**2,324**	**63**	**2,160**	**508**	**2,428**	**(341)**	**11,814**
Non-interest financing revenues	20	-	-	2	1	101	450	574
Commissions and other revenues	718	121	17	482	86	410	499	2,333
Total revenues	**5,410**	**2,445**	**80**	**2,644**	**595**	**2,939**	**608**	**14,721**
Expenses due to credit losses	94	60	1	49	(44)	358	1	519
Operating and other expenses	2,276	777	30	913	202	623	401	5,222
Pre-tax profit	3,040	1,608	49	1,682	437	1,958	206	8,980
Provision for taxes on profit	1,126	596	18	623	162	725	76	3,326
After-tax profit	**1,914**	**1,012**	**31**	**1,059**	**275**	**1,233**	**130**	**5,654**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	16	16
Net profit:								
Before attribution to non-controlling interests	1,914	1,012	31	1,059	275	1,233	146	5,670
Attributable to non-controlling interests	(175)	-	-	(13)	-	-	(27)	(215)
Net profit attributable to shareholders of the Bank	**1,739**	**1,012**	**31**	**1,046**	**275**	**1,233**	**119**	**5,455**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)[(1)]	59.5%	8.3%	-	47.5%	23.5%	13.3%		18.5%
Average balance of loans to the public, net	35,415	201,501	243	24,277	9,500	68,976	-	339,912
Average balance of deposits from the public	164,851	-	5,224	50,549	14,745	115,248	24,525	375,142
Average balance of assets	37,450	202,973	343	24,529	9,627	89,586	101,062	465,570
Average balance of risk assets[(2)]	32,601	116,948	160	21,434	11,246	89,044	19,521	290,954

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.
(2) Risk weighted assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

Note 29 – Operating Segments and Geographic Regions – Continued
Operating segments in conformity with the management approach
For the year ended December 31, 2023
Reported amounts (NIS in millions)

	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total consolidated
Interest revenues (expenses), net								
From externals	(1,026)	10,131	(163)	749	320	473	1,491	11,975
Inter-segment	5,427	(7,799)	243	1,388	180	1,676	(1,115)	-
Total interest revenues, net	**4,401**	**2,332**	**80**	**2,137**	**500**	**2,149**	**376**	**11,975**
Non-interest financing revenues	27	1	1	2	1	31	448	511
Commissions and other revenues	708	126	15	489	80	398	478	2,294
Total revenues	**5,136**	**2,459**	**96**	**2,628**	**581**	**2,578**	**1,302**	**14,780**
Expenses (reduction of expenses) with respect to credit losses	265	233	-	384	124	447	10	1,463
Operating and other expenses	2,384	840	34	1,005	239	648	419	5,569
Pre-tax profit	2,487	1,386	62	1,239	218	1,483	873	7,748
Provision for taxes on profit	857	477	21	427	75	511	301	2,669
After-tax profit	**1,630**	**909**	**41**	**812**	**143**	**972**	**572**	**5,079**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	1	1
Net profit:								
Before attribution to non-controlling interests	1,630	909	41	812	143	972	573	5,080
Attributable to non-controlling interests	(144)	-	-	(15)	-	-	(11)	(170)
Net profit attributable to shareholders of the Bank	**1,486**	**909**	**41**	**797**	**143**	**972**	**562**	**4,910**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)(1)	53.4%	7.7%	-	41.2%	13.0%	12.4%	-	19.1%
Average balance of loans to the public, net	35,108	190,522	273	22,548	9,408	57,740	-	315,599
Average balance of deposits from the public	156,827	-	5,512	48,142	13,400	101,542	14,913	340,336
Average balance of assets	37,355	191,957	389	22,873	9,543	77,752	94,924	434,793
Average balance of risk assets(2)	30,973	110,461	174	19,575	10,870	75,111	16,684	263,848

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.
(2) Risk weighted assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

Note 29 – Operating Segments and Geographic Regions – Continued
Operating segments in conformity with the management approach

For the year ended December 31, 2022

Reported amounts (NIS in millions)

	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total consolidated
Interest revenues (expenses), net								
From externals	490	8,719	(58)	887	307	784	(889)	10,240
Inter-segment	2,194	(6,566)	119	578	78	876	2,721	-
Total interest revenues, net	**2,684**	**2,153**	**61**	**1,465**	**385**	**1,660**	**1,832**	**10,240**
Non-interest financing revenues	57	1	1	2	1	121	571	754
Commissions and other revenues	747	150	16	478	86	361	836	2,674
Total revenues	**3,488**	**2,304**	**78**	**1,945**	**472**	**2,142**	**3,239**	**13,668**
Expenses due to credit losses	100	94	1	109	93	135	-	532
Operating and other expenses	2,544	951	27	1,107	313	692	539	6,173
Pre-tax profit (loss)	844	1,259	50	729	66	1,315	2,700	6,963
Provision (reduced provision) for taxes on profit	286	426	17	247	22	445	913	2,356
After-tax profit (loss)	**558**	**833**	**33**	**482**	**44**	**870**	**1,787**	**4,607**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	5	5
Net profit (loss):								
Before attribution to non-controlling interests	558	833	33	482	44	870	1,792	4,612
Attributable to non-controlling interests	(110)	-	-	(10)	-	-	(20)	(140)
Net profit (loss) attributable to shareholders of the Bank	**448**	**833**	**33**	**472**	**44**	**870**	**1,772**	**4,472**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)[1]	17.6%	8.2%	-	25.7%	4.2%	14.5%	-	20.0%
Average balance of loans to the public, net	33,763	178,602	480	22,478	9,313	46,726	-	291,362
Average balance of deposits from the public	145,190	-	7,026	46,911	14,693	95,179	14,514	323,513
Average balance of assets	34,589	179,349	1,042	22,583	9,399	67,567	98,991	413,520
Average balance of risk assets[2]	30,188	101,626	133	18,671	10,585	59,487	14,976	235,666

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.

(2) Risk weighted assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses

Reported amounts (NIS in millions)

A. Off balance sheet debt[1] and credit instruments

1. Movement in balance of provision for credit losses

	For the year ended December 31, 2024					
	Provision for credit losses					
	Loans to the public					
	Commercial	Housing	Individual – other	Total	Banks, governments and bonds	Total
Balance of provision for credit losses at start of period	2,419	1,149	702	4,270	11	4,281
Expenses due to credit losses	315	64	139	518	1	519
Accounting write-offs[2]	(500)	-	(313)	(813)	-	(813)
Collection of debts written off for accounting purposes in previous years[2]	214	-	169	383	-	383
Net accounting write-offs	(286)	-	(144)	(430)	-	(430)
Balance of provision for credit losses at end of period	**2,448**	**1,213**	**697**	**4,358**	**12**	**4,370**
Of which: With respect to off balance sheet credit instruments	**189**	**33**	**23**	**245**	**-**	**245**

	For the year ended December 31, 2023					
Balance of provision for credit losses at start of period	1,690	902	512	3,104	1	3,105
Expenses due to credit losses	882	247	324	1,453	10	1,463
Accounting write-offs[2]	(290)	-	(257)	(547)	-	(547)
Collection of debts written off for accounting purposes in previous years[2]	137	-	123	260	-	260
Net accounting write-offs	(153)	-	(134)	(287)	-	(287)
Balance of provision for credit losses at end of period	**2,419**	**1,149**	**702**	**4,270**	**11**	**4,281**
Of which: With respect to off balance sheet credit instruments	**156**	**20**	**25**	**201**	**-**	**201**

	For the year ended December 31, 2022					
Balance of provision for credit losses at start of period	1,256	804	254	2,314	1	2,315
Opening balance adjustment for effect of initial application of public reporting directives with regard to expected credit losses	275	(32)	149	392	-	392
Expenses (income) with respect to credit losses	336	99	97	532	-	532
Accounting write-offs[2]	(330)	-	(189)	(519)	-	(519)
Collection of debts written off for accounting purposes in previous years[2]	128	-	122	250	-	250
Net accounting write-offs	(202)	-	(67)	(269)	-	(269)
Other[3]	25	31	79	135	-	135
Balance of provision for credit losses at end of period	**1,690**	**902**	**512**	**3,104**	**1**	**3,105**
Of which: With respect to off balance sheet credit instruments	**199**	**5**	**16**	**220**	**-**	**220**

(1) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements, except for deposits with Bank of Israel.
(2) Accounting write-offs presented in the Note primarily consist of write-offs of a technical nature, due to passage of time of customers being in arrears, in conformity with US standards applicable to the Bank in this regard. Thus, for example, the balance of the provision for large non-accruing debts will typically be written off after two years. Debt measured on a group basis will be written off after 150 days in arrears. This means that the Bank's collection efforts may sometimes take longer when compared to the timing for write-off according to accounting rules. Consequently, relatively high balances of "accounting write-offs" and relatively high balances of "Recovery of debts written off in previous years" are presented.
(3) Movement in provision for credit losses in subsidiary, primarily attributed to cost of acquisition upon initial consolidation, and is therefore not included on the consolidated balance sheet.

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

A. Off balance sheet debt[1] and credit instruments

2. Debts, bonds held to maturity and available for sale, loans to the public and balance of provision for credit losses

	December 31, 2024					
	Loans to the public					
	Commercial	Housing	Individual – other	Total	Banks, governments and bonds	Total
Recorded debt balance:						
reviewed on individual basis	95,331	-	25	95,356	43,606	138,962
reviewed on group basis	13,950	225,364	27,424	266,738	-	266,738
Total debts	**109,281**	**(2)225,364**	**27,449**	**362,094**	**43,606**	**405,700**
Provision for credit losses with respect to debts:						
reviewed on individual basis	1,718	-	2	1,720	12	1,732
reviewed on group basis	541	1,180	672	2,393	-	2,393
Total provision for credit losses	**2,259**	**1,180**	**674**	**4,113**	**12**	**4,125**

	December 31, 2023					
Recorded debt balance:						
reviewed on individual basis	82,846	-	146	82,992	42,980	125,972
reviewed on group basis	13,080	206,657	26,686	246,423	-	246,423
Total debts	**95,926**	**(2)206,657**	**26,832**	**329,415**	**42,980**	**372,395**
Provision for credit losses with respect to debts:						
reviewed on individual basis	1,700	-	1	1,701	11	1,712
reviewed on group basis	563	1,129	676	2,368	-	2,368
Total provision for credit losses	**2,263**	**1,129**	**677**	**4,069**	**11**	**4,080**

(1) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements, except for deposits with Bank of Israel.

(2) Includes general-purpose loans secured by a lien on a residential apartment, amounting to NIS 14,905 million (as of December 31, 2023: NIS 13,378 million).

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.a. Credit quality and arrears

	As of December 31, 2024					
		Problematic[1]			Accruing debts – additional information	
	In good standing[5]	Accruing	Non-accruing	Total	In arrears 90 days or longer[2]	In arrears 30 to 89 days[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction[4]	30,622	219	469	31,310	6	72
Construction and real estate – real estate operations	9,513	65	110	9,688	9	35
Financial services	14,842	29	7	14,878	-	6
Commercial – other	44,251	968	882	46,101	67	222
Total commercial	**99,228**	**1,281**	**1,468**	**101,977**	**82**	**335**
Private individuals – residential mortgages	223,150	-	2,141	225,291	-	1,609
Private individuals – other	27,175	189	83	27,447	63	126
Total loans to the public – activity in Israel	**349,553**	**1,470**	**3,692**	**354,715**	**145**	**2,070**
Borrower activity overseas						
Public – commercial						
Construction and real estate	3,292	-	507	3,799	-	-
Commercial – other	3,403	58	44	3,505	-	-
Total commercial	**6,695**	**58**	**551**	**7,304**	**-**	**-**
Private individuals	75	-	-	75	-	-
Total loans to the public – activity overseas	**6,770**	**58**	**551**	**7,379**	**-**	**-**
Total loans to the public	**356,323**	**1,528**	**4,243**	**362,094**	**145**	**2,070**

(1) Loans to the public – non-accruing, inferior or under special supervision
(2) Classified as problematic debts accruing interest revenues.
(3) Accruing interest revenues. Debts in arrears 30 to 89 days amounting to NIS 124 million were classified as problematic debts.
(4) Includes debts amounting to NIS 1,019 million, extended to certain purchase groups which are in the process of construction.
(5) Includes debts with payment deferral for a period of 180 days or more, which has not yet ended and which was made available during the War to borrowers which were not in financial difficulties, totaling NIS 2,839 million (commercial debts amounting to NIS 61 million, residential mortgages amounting to NIS 2,764 million and private individuals' debts amounting to NIS 14 million).

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.a. Credit quality and arrears – continued

	As of December 31, 2023					
			Problematic[1]		Accruing debts – additional information	
	In good standing	Accruing	Non-accruing	Total	In arrears 90 days or longer[2]	In arrears 30 to 89 days[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction[4]	27,695	364	321	28,380	10	43
Construction and real estate – real estate operations	8,244	469	105	8,818	5	26
Financial services	9,566	3	24	9,593	3	1
Commercial – other	41,514	1,267	850	43,631	55	239
Total commercial	**87,019**	**2,103**	**1,300**	**90,422**	**73**	**309**
Private individuals – residential mortgages	204,400	-	2,153	206,553	-	1,434
Private individuals – other	26,441	195	74	26,710	71	138
Total public – activity in Israel	**317,860**	**2,298**	**3,527**	**323,685**	**144**	**1,881**
Borrower activity overseas						
Public – commercial						
Construction and real estate	2,594	-	135	2,729	-	-
Commercial – other	2,585	159	31	2,775	-	33
Total commercial	**5,179**	**159**	**166**	**5,504**	**-**	**33**
Private individuals	226	-	-	226	-	-
Total public – activity overseas	**5,405**	**159**	**166**	**5,730**	**-**	**33**
Total public	**323,265**	**2,457**	**3,693**	**329,415**	**144**	**1,914**

(1) Loans to the public – non-accruing, inferior or under special supervision
(2) Classified as problematic debts accruing interest revenues.
(3) Accruing interest revenues. Debts in arrears 30 to 89 days amounting to NIS 103 million were classified as problematic debts.
(4) Includes debts amounting to NIS 1,070 million, extended to certain purchase groups which are in the process of construction.

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.B. Credit quality by year when credit was extended

	As of December 31, 2024								
	Recorded debt balance of term loans to the public								
	2024	2023	2022	2021	2020	Previously	Recorded debt balance of renewable loans	Recorded debt balance of renewable loans converted into term loans	Total
Credit quality by year when credit was extended									
Borrower activity in Israel									
Public – commercial									
Construction and real estate – total	**19,685**	**9,181**	**4,168**	**2,255**	**1,045**	**1,667**	**2,631**	**366**	**40,998**
Credit at performing credit rating	19,376	8,919	3,802	1,716	913	1,616	2,254	360	38,956
Credit other than at performing credit rating and non-problematic	270	130	74	460	91	23	127	4	1,179
Accruing problematic credit	23	94	84	61	4	5	12	1	284
Non-accruing credit	16	38	208	18	37	23	238	1	579
Accounting write-offs in the reported period	2	12	6	2	2	1	35	-	60
Commercial, other – total	**18,475**	**5,383**	**4,452**	**3,678**	**2,370**	**1,664**	**24,479**	**478**	**60,979**
Credit at performing credit rating	17,572	5,022	3,923	3,135	2,182	1,527	23,153	385	56,899
Credit other than at performing credit rating and non-problematic	565	117	255	370	50	18	777	42	2,194
Accruing problematic credit	154	147	111	87	39	28	391	40	997
Non-accruing credit	184	97	163	86	99	91	158	11	889
Accounting write-offs in the reported period	18	49	33	11	9	17	213	6	356
Individuals – residential mortgages – total	**33,061**	**22,081**	**34,437**	**31,006**	**19,976**	**84,730**	**-**	**-**	**225,291**
LTV up to 60%	18,268	13,043	18,038	16,905	11,274	57,910	-	-	135,438
LTV from 60% to 75%	13,953	8,628	14,947	13,577	8,442	26,642	-	-	86,189
LTV over 75%	840	410	1,452	524	260	178	-	-	3,664
Credit at performing credit rating, not in arrears	32,607	21,524	33,626	30,226	19,407	81,973	-	-	219,363
Credit not at performing credit rating, not in arrears	334	319	330	265	174	756	-	-	2,178
In arrears 30-89 days	102	144	247	249	142	725	-	-	1,609
Non-accruing credit	18	94	234	266	253	1,276	-	-	2,141
Accounting write-offs in the reported period	-	-	-	-	-	-	-	-	-
Individuals, other – total	**8,475**	**4,968**	**3,401**	**1,471**	**704**	**1,455**	**6,889**	**84**	**27,447**
Credit at performing credit rating, not in arrears	8,336	4,833	3,308	1,435	686	1,409	6,738	78	26,823
Credit not at performing credit rating, not in arrears	94	75	50	23	15	41	49	5	352
In arrears 30-89 days	15	22	15	4	1	4	65	-	126
In arrears over 90 days	7	19	15	5	1	-	16	-	63
Non-accruing credit	23	19	13	4	1	1	21	1	83
Accounting write-offs in the reported period	20	87	70	18	8	3	99	-	305
Total loans to the public – activity in Israel	**79,696**	**41,613**	**46,458**	**38,410**	**24,095**	**89,516**	**33,999**	**928**	**354,715**
Borrower activity overseas									
Total loans to the public – activity overseas	**1,846**	**1,926**	**764**	**1,071**	**478**	**1,294**	**-**	**-**	**7,379**
Non-problematic credit	1,814	1,603	631	1,018	453	1,251	-	-	6,770
Accruing problematic credit	4	30	18	6	-	-	-	-	58
Non-accruing credit	28	293	115	47	25	43	-	-	551
Accounting write-offs in the reported period	-	58	21	2	-	11	-	-	92
Total loans to the public	**81,542**	**43,539**	**47,222**	**39,481**	**24,573**	**90,810**	**33,999**	**928**	**362,094**

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.B. Credit quality by year when credit was extended – continued

	As of December 31, 2023								
	Recorded debt balance of term loans to the public								
	2023	2022	2021	2020	2019	Previously	Recorded debt balance of renewable loans	Recorded debt balance of renewable loans converted into term loans	Total
Credit quality by year when credit was extended									
Borrower activity in Israel									
Public – commercial									
Construction and real estate – total	**19,038**	**8,916**	**2,774**	**1,456**	**1,222**	**679**	**2,792**	**321**	**37,198**
Credit at performing credit rating	17,470	8,503	2,371	1,391	1,190	643	2,419	313	34,300
Credit other than at performing credit rating and non-problematic	1,005	188	317	20	17	19	67	6	1,639
Accruing problematic credit	516	18	58	9	5	2	224	1	833
Non-accruing credit	47	207	28	36	10	15	82	1	426
Commercial, other – total	**12,419**	**7,490**	**5,025**	**3,830**	**1,222**	**1,588**	**21,094**	**556**	**53,224**
Credit at performing credit rating	11,661	6,816	4,366	3,498	1,153	1,458	19,337	490	48,779
Credit other than at performing credit rating and non-problematic	328	436	492	113	15	18	854	45	2,301
Accruing problematic credit	271	124	117	74	18	27	628	11	1,270
Non-accruing credit	159	114	50	145	36	85	275	10	874
Individuals – residential mortgages – total	**21,402**	**36,420**	**33,147**	**21,491**	**17,994**	**76,099**	**-**	**-**	**206,553**
LTV up to 60%	12,637	19,503	17,715	11,943	10,751	52,296	-	-	124,845
LTV from 60% to 75%	8,269	15,967	14,045	9,102	7,209	23,726	-	-	78,318
LTV over 75%	496	950	1,387	446	34	77	-	-	3,390
Credit at performing credit rating, not in arrears	20,916	35,729	32,498	20,875	17,481	73,598	-	-	201,097
Credit not at performing credit rating, not in arrears	309	328	243	180	124	685	-	-	1,869
In arrears 30-89 days	114	198	195	194	160	573	-	-	1,434
Non-accruing credit	63	165	211	242	229	1,243	-	-	2,153
Individuals, other – total	**8,434**	**5,683**	**2,587**	**1,223**	**996**	**1,308**	**6,392**	**87**	**26,710**
Credit at performing credit rating, not in arrears	8,258	5,524	2,516	1,192	968	1,257	6,291	81	26,087
Credit not at performing credit rating, not in arrears	97	63	40	22	21	45	48	4	340
In arrears 30-89 days	38	49	15	3	4	4	25	-	138
In arrears over 90 days	16	28	8	3	2	1	13	-	71
Non-accruing credit	25	19	8	3	1	1	15	2	74
Total loans to the public – activity in Israel	**61,293**	**58,509**	**43,533**	**28,000**	**21,434**	**79,674**	**30,278**	**964**	**323,685**
Borrower activity overseas									
Total loans to the public – activity overseas	**1,457**	**1,204**	**1,223**	**662**	**155**	**1,029**	**-**	**-**	**5,730**
Non-problematic credit	1,350	1,126	1,138	629	133	1,029	-	-	5,405
Accruing problematic credit	87	30	33	9	-	-	-	-	159
Non-accruing credit	20	48	52	24	22	-	-	-	166
Total loans to the public	**62,750**	**59,713**	**44,756**	**28,662**	**21,589**	**80,703**	**30,278**	**964**	**329,415**

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts

	As of December 31, 2024					
	Balance of non-accruing debts for which a provision has been recognized[1][2]	Provision balance	Balance of non-accruing debts for which a provision has not been recognized[1]	Total balance of non-accruing debts[1]	Contractual principal balance of non-accruing debts	Interest revenues recognized[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate	571	29	8	579	795	4
Commercial – other	796	255	93	889	1,322	14
Total commercial	**1,367**	**284**	**101**	**1,468**	**2,117**	**18**
Private individuals – residential mortgages	2,141	107	-	2,141	2,213	-
Private individuals – other	83	48	-	83	137	6
Total loans to the public – activity in Israel	**3,591**	**439**	**101**	**3,692**	**4,467**	**24**
Borrower activity overseas						
Total loans to the public – activity overseas	**541**	**119**	**10**	**551**	**621**	**-**
Total	**4,132**	**558**	**111**	**4,243**	**5,088**	**24**
Of which:						
Measured individually at present value of cash flows	1,194	254	69	1,263	1,805	
Measured individually at fair value of collateral	634	121	42	676	839	
Measured on group basis	2,304	183	-	2,304	2,444	

(1) Recorded debt balance.

(2) Debt balance net of accounting write-off, if made.

(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.

Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 246 million.

Additional information: Total average recorded debt balance for non-accruing debt in the year ended December 31, 2024 amounted to NIS 3,911 million.

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts – Continued

	As of December 31, 2023					
	Balance of non-accruing debts for which a provision has been recognized[(1)(2)]	Provision balance	Balance of non-accruing debts for which a provision has not been recognized[(1)]	Total balance of non-accruing debts[(1)]	Contractual principal balance of non-accruing debts	Interest revenues recognized[(3)]
Borrower activity in Israel						
Public – commercial						
Construction and real estate	426	61	-	426	542	5
Commercial – other	790	287	84	874	1,198	12
Total commercial	**1,216**	**348**	**84**	**1,300**	**1,740**	**17**
Private individuals – residential mortgages	2,153	107	-	2,153	2,236	-
Private individuals – other	74	60	-	74	120	5
Total loans to the public – activity in Israel	**3,443**	**515**	**84**	**3,527**	**4,096**	**22**
Borrower activity overseas						
Total loans to the public – activity overseas	**166**	**27**	**-**	**166**	**238**	**-**
Total	**3,609**	**542**	**84**	**3,693**	**4,334**	**22**
Of which:						
Measured individually at present value of cash flows	1,034	317	76	1,110	1,580	
Measured individually at fair value of collateral	272	27	8	280	318	
Measured on group basis	2,303	198	-	2,303	2,436	

(1) Recorded debt balance.
(2) Debt balance net of accounting write-off, if made.
(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.

Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 166 million.

Additional information: Total average recorded debt balance for non-accruing debt in the year ended December 31, 2023 amounted to NIS 2,970 million.

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts – Continued

	As of December 31, 2022					
	Balance of non-accruing debts for which a provision has been recognized(1)(2)	Provision balance	Balance of non-accruing debts for which a provision has not been recognized(1)	Total balance of non-accruing debts(1)	Contractual principal balance of non-accruing debts	Interest revenues recognized(3)
Borrower activity in Israel						
Public – commercial						
Construction and real estate	257	36	1	258	435	23
Commercial – other	907	162	17	924	1,196	11
Total commercial	**1,164**	**198**	**18**	**1,182**	**1,631**	**34**
Private individuals – residential mortgages	1,329	67	-	1,329	1,448	-
Private individuals – other	51	42	4	55	75	5
Total loans to the public – activity in Israel	**2,544**	**307**	**22**	**2,566**	**3,154**	**39**
Borrower activity overseas						
Total loans to the public – activity overseas	**11**	**1**	**-**	**11**	**67**	**-**
Total	**2,555**	**308**	**22**	**2,577**	**3,221**	**39**
Of which:						
Measured individually at present value of cash flows	1,077	191	9	1,086	1,601	
Measured individually at fair value of collateral	74	6	9	83	127	
Measured on group basis	1,404	111	4	1,408	1,493	

(1) Recorded debt balance.
(2) Debt balance net of accounting write-off, if made.
(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.

Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 134 million.

Additional information: Total average recorded debt balance for non-accruing debt in the year ended December 31, 2022 amounted to NIS 2,697 million.

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Information on debts of borrowers undergoing financial difficulties that have undergone changes in terms

2.b.1 Quality of credit and state of arrears of debts in financial difficulties that have undergone a change in terms:

	Recorded debt balance				
	Problematic		Not Problematic		
	Non-accruing	Accruing interest revenues	In arrears 30 days or longer	Not in Arrears	Total[(1)(2)]
	December 31, 2024				
Borrower activity in Israel					
Commercial	100	17	-	68	185
Private individuals – residential mortgages	214	-	22	48	284
Private individuals – other	34	5	-	19	58
Total loans to the public – activity in Israel	**348**	**22**	**22**	**135**	**527**
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**
Total loans to the public	**348**	**22**	**22**	**135**	**527**
	December 31, 2023[(3)]				
Borrower activity in Israel					
Commercial	115	9	-	86	210
Private individuals – residential mortgages	47	-	-	-	47
Private individuals – other	38	22	-	-	60
Total loans to the public – activity in Israel	**200**	**31**	**-**	**86**	**317**
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**
Total loans to the public	**200**	**31**	**-**	**86**	**317**

(1) In the year ended December 31, 2024 there were no cumulative debts that have undergone changes in terms in previous years and which were no longer included in the disclosure.

(2) As of December 31, 2024 debts of borrowers undergoing financial difficulties have not undergone changes in terms more than twice.

(3) The presented balances are of debts that have been restructured and restated in accordance with the new disclosure format for changes in terms for borrowers in financial difficulties.

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Information on debts of borrowers undergoing financial difficulties that have undergone changes in terms

2.b.2. Quality of credit and state of arrears of borrowers in financial difficulties that have undergone a change in terms during the reported period:

	Debts of Borrowers in Financial Difficulties who have Undergone a Change in Terms					
	Recorded debt balance					
	Problematic		Not Problematic			
	Non-accruing	Accruing interest revenues	In arrears 30 days or longer	Not in Arrears	Total	Net accounting write-offs
	In the year ended December 31, 2024					
Borrower activity in Israel						
Commercial	49	5	-	1	55	10
Private individuals – residential mortgages	180	-	21	35	236	-
Private individuals – other	17	5	-	1	23	2
Total loans to the public – activity in Israel	**246**	**10**	**21**	**37**	**314**	**12**
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**	**-**
Total loans to the public	**246**	**10**	**21**	**37**	**314**	**12**
	In the year ended December 31, 2023[(1)]					
Borrower activity in Israel						
Commercial	54	-	-	-	54	-
Private individuals – residential mortgages	8	-	-	-	8	-
Private individuals – other	35	-	-	-	35	-
Total loans to the public – activity in Israel	**97**	**-**	**-**	**-**	**97**	**-**
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**	**-**
Total loans to the public	**97**	**-**	**-**	**-**	**97**	**-**

(1) The presented balances are of debts that have been restructured and restated in accordance with the new disclosure format for changes in terms for borrowers in financial difficulties.

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Information on debts of borrowers undergoing financial difficulties that have undergone changes in terms

2.b.3 Debts of Borrowers in Financial Difficulties who have Undergone Changes in the Reported Period

	Debts of Borrowers in Financial Difficulties who have Undergone a Change in Terms						
				Total			Type of Change
	Recorded debt balance	% of Credit Balance	Waiving Interest	Extending Period	Deferring Payments	Extending Period and Waiving Interest	Deferring Payments and Waiving Interest
	In the year ended December 31, 2024						
Borrower activity in Israel							
Commercial	55	0.05	3	18	-	34	-
Private individuals – residential mortgages	236	0.10	-	234	-	2	-
Private individuals – other	23	0.08	2	8	-	13	-
Total loans to the public – activity in Israel	**314**	**0.09**	**5**	**260**	**-**	**49**	**-**
Total loans to the public – activity overseas	**-**		**-**	**-**	**-**	**-**	**-**
Total loans to the public	**314**	**0.09**	**5**	**260**	**-**	**49**	**-**

	Monetary Impacts of Change in Terms of Debts of Borrowers with Financial Difficulties			
				Type of Change
	Waiving Principal	Average Waiver of Interest (%)	Average Period Extension (in Months)	Average Payment Deferment (in Months)
	In the year ended December 31, 2024			
Borrower activity in Israel				
Commercial	2	1.91	41	-
Private individuals – residential mortgages	-	3.55	21	-
Private individuals – other	1	2.34	32	-
Total loans to the public – activity in Israel	**3**	**2.05**	**25**	**-**
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**
Total loans to the public	**3**	**2.05**	**25**	**-**

	Debts of Borrowers in Financial Difficulties Who Defaulted in the reported Period After Undergoing a Change in Terms(1)						
		Total					Type of Change
	Recorded debt balance	Waiving Principal	Waiving Interest	Extending Period	Deferring Payments	Extending Period and Waiving Interest	Deferring Payments and Waiving Interest
	In the year ended December 31, 2024						
Borrower activity in Israel							
Commercial	16	-	-	5	-	11	-
Private individuals – residential mortgages	135	-	-	135	-	-	-
Private individuals – other	7	-	1	1	-	5	-
Total loans to the public – activity in Israel	**158**	**-**	**1**	**141**	**-**	**16**	**-**
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total loans to the public	**158**	**-**	**1**	**141**	**-**	**16**	**-**

(1) Debts defaulted in the reported period, after they have undergone a change in the terms of debts o borrowers undergoing financial difficulties, during the 12 months prior to their default date.

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.C. Additional information about non-accruing credit in arrears

	As of December 31, 2024							
	Not in arrears 90 days or longer	In arrears 90 to 180 days	In arrears 180 days to 1 year	In arrears over 1 year to 3 years	In arrears over 3 years to 5 years	In arrears over 5 years to 7 years	In arrears over 7 years	Total
Commercial	713	138	615	474	62	8	9	2,019
Residential mortgages	197	829	465	502	77	24	47	2,141
Private individuals – other	37	20	8	10	6	1	1	83
Total	**947**	**987**	**1,088**	**986**	**145**	**33**	**57**	**4,243**
	As of December 31, 2023							
Commercial	615	178	383	257	15	8	10	1,466
Residential mortgages	296	850	580	329	42	18	38	2,153
Private individuals – other	42	12	5	11	4	-	-	74
Total	**953**	**1,040**	**968**	**597**	**61**	**26**	**48**	**3,693**

3. Additional information about residential mortgages

Composition of balances by LTV[(1)], repayment type and interest type is as follows:

		December 31, 2024			
		Balance of residential mortgages			Off-balance sheet credit risk
		Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV	Up to 60%	135,110	6,366	79,049	3,838
	Over 60%	89,732	2,244	53,838	3,544
Junior lien or no lien		522	11	324	9,396
Total		**225,364**	**8,621**	**133,211**	**16,778**

		December 31, 2023			
		Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV	Up to 60%	124,553	3,953	75,701	2,771
	Over 60%	81,632	1,175	50,383	2,545
Junior lien or no lien		472	8	304	6,789
Total		**206,657**	**5,136**	**126,388**	**12,105**

(1) Ratio of approved facility upon extending the facility to the property value, as approved by the Bank upon extending the facility.

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

C. Balances of loans to the public and off-balance sheet credit risk according to extent of borrower credit risk

Loan ceiling and credit risk (NIS in thousands)		December 31, 2024 Number of Borrowers[(1)]	Credit[(2)]	Off-balance sheet credit risk[(3)]
	Up to 10	259,193	390	624
Above 10	Up to 20	125,943	788	1,307
Above 20	Up to 40	164,734	2,218	3,115
Above 40	Up to 80	183,897	6,015	5,458
Above 80	Up to 150	138,986	11,447	4,808
Above 150	Up to 300	126,219	24,362	3,897
Above 300	Up to 600	108,901	45,685	3,553
Above 600	Up to 1,200	108,628	86,598	6,574
Above 1,200	Up to 2,000	40,545	54,965	6,447
Above 2,000	Up to 4,000	14,809	33,060	6,209
Above 4,000	Up to 8,000	3,036	13,036	3,241
Above 8,000	Up to 20,000	1,197	10,903	3,721
Above 20,000	Up to 40,000	441	7,934	4,103
Above 40,000	Up to 200,000	520	27,051	17,481
Above 200,000	Up to 400,000	102	14,935	14,315
Above 400,000	Up to 800,000	39	10,403	10,648
Above 800,000	Up to 1,200,000	16	5,140	7,864
Above 1,200,000	Up to 1,600,000	6	3,666	4,742
Over 1,600,000	Up to 2,000,000	-	-	-
Above 2,000,000	Up to 2,400,000	2	1,260	3,056
Above 2,400,000	Up to 2,425,000	1	2,238	187
Total		**1,277,215**	**362,094**	**111,350**

Loan ceiling and credit risk (NIS in thousands)		December 31, 2023 Number of Borrowers[(1)]	Credit[(2)]	Off-balance sheet credit risk[(3)]
	Up to 10	265,096	388	547
Above 10	Up to 20	122,858	768	1,115
Above 20	Up to 40	162,959	2,223	2,667
Above 40	Up to 80	181,869	6,011	4,657
Above 80	Up to 150	137,414	11,345	4,081
Above 150	Up to 300	123,979	23,845	3,300
Above 300	Up to 600	105,720	44,343	2,517
Above 600	Up to 1,200	104,117	82,489	5,593
Above 1,200	Up to 2,000	35,704	47,393	5,801
Above 2,000	Up to 4,000	12,723	27,914	5,569
Above 4,000	Up to 8,000	2,731	11,461	3,104
Above 8,000	Up to 20,000	1,147	10,013	3,848
Above 20,000	Up to 40,000	417	7,766	3,549
Above 40,000	Up to 200,000	474	24,334	14,957
Above 200,000	Up to 400,000	82	11,618	9,806
Above 400,000	Up to 800,000	42	10,151	12,198
Above 800,000	Up to 1,200,000	10	3,769	5,105
Above 1,200,000	Up to 1,600,000	6	2,181	6,040
Over 1,600,000	Up to 1,904,000	1	1,403	501
Total		**1,257,349**	**329,415**	**94,955**

(1) Number of borrowers is based on total loans and off-balance sheet credit risk.
(2) Off-balance sheet credit and credit risk is stated before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower and of borrower group.
(3) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limitation. Data is in conformity with the definition of indebtedness in Proper Conduct of Banking Business Directive 313.

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

D. Sale, purchase and syndication of loans to the public during the year

1. Sale and purchase of loans to the public

	December 31, 2024							
	Credit risk to the public sold					Credit risk to the public purchased[1]		
	Loans to the public sold in the period	Off-balance sheet credit risk[2] sold in the period	Of which: Problematic credit	Total gain (loss) with respect to credit sold	Balance at end of period of credit sold, which is serviced by the Bank	Loans to the public purchased in the period[3]	Off-balance sheet credit risk[2] purchased in the period	Of which: Problematic credit
Commercial	125	254	-	-	-	507	29	-
Private individuals – residential mortgages	-	-	-	-	4,488	-	-	-
Private individuals – other	-	-	-	-	-	1,793	-	-
Total credit risk to public	**125**	**254**	**-**	**-**	**4,488**	**2,300**	**29**	**-**

	December 31, 2023							
	Credit risk to the public sold					Credit risk to the public purchased[1]		
	Loans to the public sold in the period	Off-balance sheet credit risk[2] sold in the period	Of which: Problematic credit	Total gain (loss) with respect to credit sold	Balance at end of period of credit sold, which is serviced by the Bank	Loans to the public purchased in the period[3]	Off-balance sheet credit risk[2] purchased in the period	Of which: Problematic credit
Commercial	25	120	-	-	-	89	22	-
Private individuals – residential mortgages	-	-	-	-	5,097	-	-	-
Private individuals – other	-	-	-	-	-	2,554	-	-
Total credit risk to public	**25**	**120**	**-**	**-**	**5,097**	**2,643**	**22**	**-**

(1) Excluding short-term factoring transactions.
(2) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of borrower indebtedness, except for derivatives.
(3) Of which: Loans at 10% which are seller-guaranteed loans (for credit risk).

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

D. Sale, purchase and syndication of loans to the public during the year – Continued

2. Syndications and participation in loan syndications

	December 31, 2024					
	Syndication transactions initiated by the Bank				Syndication transactions initiated by others	
	Balance as of end of year					
	Bank's share		Others' share (2)		Bank's share(3)	
	Loans to the public	Off-balance sheet credit risk(1)	Loans to the public	Off-balance sheet credit risk(1)	Loans to the public	Off-balance sheet credit risk(1)
Construction and real estate	1,656	2,474	1,136	1,121	1,555	499
Commercial – other	4,522	3,023	7,352	2,867	2,942	891
Total credit risk to public	**6,178**	**5,497**	**8,488**	**3,988**	**4,497**	**1,390**

	December 31, 2023					
	Syndication transactions initiated by the Bank				Syndication transactions initiated by others	
	Balance as of end of year					
	Bank's share		Others' share(2)		Bank's share(3)	
	Loans to the public	Off-balance sheet credit risk(1)	Loans to the public	Off-balance sheet credit risk(1)	Loans to the public	Off-balance sheet credit risk(1)
Construction and real estate	1,290	1,808	1,042	948	1,236	71
Commercial – other	3,573	1,777	7,547	1,781	2,051	873
Total credit risk to public	**4,863**	**3,585**	**8,589**	**2,729**	**3,287**	**944**

(1) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of borrower indebtedness, except for derivatives.

(2) Not inducing balances of the parts of others for syndication transactions initiated by the Bank but managed by others.

(3) Excludes syndication transactions initiated by others to extend balance sheet and non-balance sheet credit to foreign governments. The Bank's share of these transactions is NIS 428 million. (As of December 31, 2023: NIS 564 million).

(4) Reclassified

Note 30 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

E. Off-balance sheet financial instruments

Contractual balances or their denominated amounts at the end of the year

	As of December 31			
	2024	2023	2024	2023
	Balance[1]	Balance[1]	Provision for credit losses	Provision for credit losses
Transactions in which the balance represents a credit risk:				
Unutilized debitory account and other credit facilities in accounts				
On-call, un-utilized	34,011	31,625	35	33
Guarantees to home buyers	18,671	14,612	4	2
Irrevocable commitments for loans approved but not yet granted[2]	33,445	24,815	66	44
Unutilized revolving credit card facilities	12,928	12,416	17	18
Commitments to issue guarantees	15,376	12,514	1	3
Guarantees and other liabilities[3]	15,573	13,541	71	65
Loan guarantees	4,194	3,445	50	34
Documentary credit	272	540	1	2

(1) Contractual balances or their stated amounts at the end of the period, before effect of provision for credit losses.

(2) Includes effect of extension of approval in principle for residential mortgages, from 12 to 24 days, pursuant to update to Proper Conduct of Banking Business Directive 451 regarding "Procedures for extending residential mortgages".

(3) Includes the Bank's liabilities for its share in the MAOF Clearinghouse risk fund, amounting to NIS 29 million (as of December 31, 2023: NIS 24 million).

Note 31 – Assets and Liabilities by Linkage Basis

As of December 31, 2024

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency[1]				
	Non-linked	CPI-linked	USD	EUR	Other currencies	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	58,444	-	23,747	326	127	-	82,644
Securities	12,754	6,119	7,811	909	-	898	28,491
Securities borrowed or bought in conjunction with resale agreements	264	-	-	-	-	-	264
Loans to the public, net[3]	253,275	84,048	12,262	5,239	3,157	-	357,981
Loans to Governments	-	-	40	278	-	-	318
Investments in associated companies	-	-	-	-	-	263	263
Buildings and equipment	-	-	-	-	-	1,852	1,852
Intangible assets and goodwill	-	-	-	-	-	117	117
Assets with respect to derivatives	2,887	101	2,187	342	9	-	5,526
Other assets	6,556	398	486	8	35	704	8,187
Total assets	**334,180**	**90,666**	**46,533**	**7,102**	**3,328**	**3,834**	**485,643**
Liabilities							
Deposits from the public	290,010	29,729	60,583	6,729	6,332	-	393,383
Deposits from banks	747	-	1,397	385	70	-	2,599
Deposits from the Government	20	2	24	3	-	-	49
Bonds and subordinated notes	6,311	28,401	2,204	-	-	-	36,916
Liabilities with respect to derivatives	3,312	112	1,438	256	5	-	5,123
Other liabilities	11,715	2,310	369	8	27	415	14,844
Total liabilities	**312,115**	**60,554**	**66,015**	**7,381**	**6,434**	**415**	**452,914**
Difference	**22,065**	**30,112**	**(19,482)**	**(279)**	**(3,106)**	**3,419**	**32,729**
Impact of hedging derivatives:							
Derivative instruments (other than options)	1,639	(1,639)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(22,316)	165	19,041	(4)	3,114	-	-
Net in-the-money options (in terms of underlying asset)	(430)	-	249	222	(41)	-	-
Net out-of-the-money options (in terms of underlying asset)	(154)	-	145	15	(6)	-	-
Grand total	**804**	**28,638**	**(47)**	**(46)**	**(39)**	**3,419**	**32,729**
Net in-the-money options (capitalized par value)	307	-	(318)	33	(22)	-	-
Net out-of-the-money options (capitalized par value)	(1,051)	-	693	314	44	-	-

(1) Includes linked to foreign currency.
(2) Includes derivative instruments whose base relates to a non-monetary item.
(3) Where the provision for credit losses may not be attributed to any specific linkage basis, such provision was deducted pro-rata from the different linkage bases.

Note 31 – Assets and Liabilities by Linkage Basis – continued

As of December 31, 2023

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency[1]				
	Non-linked	CPI-linked	USD	EUR	Other currencies	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	59,254	-	27,020	175	101	-	86,550
Securities	12,980	4,330	4,623	520	-	618	23,071
Securities borrowed or bought in conjunction with resale agreements	106	-	-	-	-	-	106
Loans to the public, net[3]	226,844	80,674	10,485	4,394	2,949	-	325,346
Loans to Governments	1	-	111	368	-	-	480
Investments in associated companies	35	-	-	-	-	207	242
Buildings and equipment	-	-	-	-	-	1,531	1,531
Intangible assets and goodwill	-	-	-	-	-	148	148
Assets with respect to derivatives	4,252	99	1,268	572	91	-	6,282
Other assets	2,833	327	485	10	22	771	4,448
Total assets	**306,305**	**85,430**	**43,992**	**6,039**	**3,163**	**3,275**	**448,204**
Liabilities							
Deposits from the public	267,198	23,468	58,024	6,535	3,328	-	358,553
Deposits from banks	2,802	-	1,553	198	18	-	4,571
Deposits from the Government	10	2	56	3	-	-	71
Bonds and subordinated notes	7,675	27,203	2,192	-	-	-	37,070
Liabilities with respect to derivatives	5,666	111	912	564	114	-	7,367
Other liabilities	8,285	2,613	308	9	37	617	11,869
Total liabilities	**291,636**	**53,397**	**63,045**	**7,309**	**3,497**	**617**	**419,501**
Difference	**14,669**	**32,033**	**(19,053)**	**(1,270)**	**(334)**	**2,658**	**28,703**
Impact of hedging derivatives:							
Derivative instruments (other than options)	812	(812)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(19,430)	(766)	19,061	899	236	-	-
Net in-the-money options (in terms of underlying asset)	40	-	(252)	216	(4)	-	-
Net out-of-the-money options (in terms of underlying asset)	(127)	-	62	64	1	-	-
Grand total	**(4,036)**	**30,455**	**(182)**	**(91)**	**(101)**	**2,658**	**28,703**
Net in-the-money options (capitalized par value)	(652)	-	605	51	(4)	-	-
Net out-of-the-money options (capitalized par value)	683	-	(976)	221	72	-	-

(1) Includes linked to foreign currency.
(2) Includes derivative instruments whose base relates to a non-monetary item.
(3) Where the provision for credit losses may not be attributed to any specific linkage basis, such provision was deducted pro-rata from the different linkage bases.

Note 32 - Cash flows in accordance with contractual repayment date[1]

Reported amounts (NIS in millions)

	Cash flows in accordance with contractual repayment date					
	On-call to 1 day	Over a day to 1 week	Over a week to 1 month	1 to 3 months	Over 3 months to 1 year	Over 1 year to 3 years
As of December 31, 2024						
Cash, deposits and negotiable bonds [3]						
Cash and deposits with banks	17,798	46,689	18,034	9	89	2
Negotiable government bonds	-	1	206	5,004	8,182	5,127
Other negotiable bonds	2	7	12	80	254	781
Total cash, deposits and negotiable bonds	**17,800**	**46,697**	**18,252**	**5,093**	**8,525**	**5,910**
Other monetary assets						
Loans to the public [4]	2,440	3,769	11,456	20,833	41,127	74,930
Other monetary assets excluding derivatives	554	930	2,677	2,194	2,819	1,132
Total other monetary assets excluding derivatives	**20,794**	**51,396**	**32,385**	**28,120**	**52,471**	**81,972**
Monetary liabilities						
Deposits from the public[5]	136,496	18,819	39,129	96,795	78,882	13,037
Of which: Households and small businesses	73,552	10,116	21,791	40,273	39,773	5,106
Deposits from banks	1,972	7	-	193	375	77
Securities loaned or sold in re-purchase agreements	-	-	-	-	-	-
Bonds and subordinated notes	2	1	-	188	6,940	13,705
Other monetary liabilities excluding derivatives	945	1,553	4,063	3,006	3,892	1,845
Total other monetary liabilities excluding derivatives	**139,415**	**20,380**	**43,192**	**100,182**	**90,089**	**28,664**
Employee rights and off-balance sheet items						
Effect of derivative instruments	-	-	-	-	-	-
Credit provision undertakings	5,573	421	4,124	8,070	79,257	14,322
Employees' rights	-	-	14	21	100	248
Effect of employee rights and off-balance sheet items	**5,573**	**421**	**4,138**	**8,091**	**79,357**	**14,570**
Total net cash flows (including NIS and foreign currency)	**(124,194)**	**30,595**	**(14,945)**	**(80,153)**	**(116,975)**	**38,738**
Of which:						
Total cash, deposits and negotiable bonds in foreign currency	2,527	21,049	76	1,817	180	1,861
Total other monetary assets in foreign currency	1,083	1,679	4,389	3,631	2,804	4,878
Total monetary liabilities in foreign currency	23,666	3,339	8,454	15,538	24,472	4,222
Effect of employee rights and off-balance sheet items in foreign currency	30	1,320	(4,675)	(8,838)	(1,426)	(1,337)
Total net cash flows in foreign currency	**(20,086)**	**18,069**	**686**	**(1,252)**	**(20,062)**	**3,854**
As of December 31, 2023						
Cash, deposits and negotiable bonds	20,524	67,074	328	3,503	1,707	3,858
Total other monetary assets excluding derivatives	2,022	3,695	13,752	17,329	52,002	66,937
Deposits from the public	128,733	17,336	36,336	93,622	74,163	8,194
Other monetary liabilities excluding derivatives	2,276	1,217	3,212	6,420	13,805	14,788
Total effect of employee rights and off-balance sheet items	1,940	382	2,831	6,527	55,625	9,403
Total net cash flows	**(110,403)**	**51,834**	**(28,299)**	**(85,737)**	**(89,884)**	**38,410**
Of which: Net cash flows in foreign currency	**(18,996)**	**18,930**	**5,490**	**604**	**(19,441)**	**2,381**

(1) As included in Note 31 – "Assets and Liabilities by Linkage Basis", including off-balance sheet amounts in respect of derivatives which are not settled on a net basis.
(2) The discount rate applied to future contractual cash flows in respect of a monetary item to its balance sheet balance.
(3) The fair value of cash, deposits and negotiable bonds, which are not pledged amounts to NIS 109,142 million and NIS 108,397 million as of December 31, 2024 and December 31, 2023, respectively.
(4) The future contractual cash flows of loans to the public are presented in accordance with the loans' contractual repayment date. Credit in current accounts or current loan accounts, on-call credit and credit in arrears of 30 days or more are presented in the "no repayment date" column. The provision for credit losses is deducted from the relevant cash flows.
(5) The future cash flows of the deposits are presented based on the earliest withdrawal date allowed under the contract. Deposits, which are available for immediate withdrawal under the contract are presented under the "on-call to 1 day" column.

Balance sheet balance [1]				
Over 3 years to 5 years	Over 5 years	No repayment date	Total	Effective rate of return [2]
112	28	302	82,644	3.79%
2,272	9,489	-	25,206	5.26%
702	883	-	2,387	2.81%
3,086	**10,400**	**302**	**110,237**	**4.94%**
51,308	286,399	24,259	357,981	5.30%
1,281	2,740	447	13,591	2.16%
55,675	**299,539**	**25,008**	**481,809**	**5.25%**
7,508	4,297	-	393,383	3.16%
2,465	1,358	-	190,828	2.81%
-	-	-	2,599	4.42%
-	-	-	-	
7,291	11,229	-	36,916	1.31%
1,916	637	308	17,646	0.84%
16,715	**16,163**	**308**	**450,544**	**3.10%**
-	-	-	-	
3,564	16,980	-	132,311	
212	2,033		1,955	
3,776	**19,013**	**-**	**134,266**	
35,184	**264,363**	**24,700**	**(103,001)**	
1,543	6,426	-	32,920	4.15%
2,440	5,922	2,200	24,043	4.03%
165	1,112	-	79,825	2.42%
42	(21)	-	(14,190)	
3,776	**11,257**	**2,200**	**(8,672)**	
3,626	11,075	-	109,003	4.64%
48,843	266,944	19,127	335,926	5.30%
1,978	1,351	-	358,553	3.13%
11,146	11,879	388	58,481	1.43%
3,717	18,522	-	97,405	
35,628	**246,267**	**18,739**	**(69,510)**	
3,405	**6,588**	**244**	**(3,236)**	

Note 33 – Balances and estimates of fair value of financial instruments

1) Fair value of financial instruments

For most of the Bank's financial instruments, a "market price" cannot be quoted, because there is no active market in which they are traded. Therefore, the fair value is estimated using acceptable pricing models, such as present value of future cash flows, discounted at an interest rate that reflects the level of risk inherent in the instrument.
The estimate of fair value using future cash flows and determination of a discount rate is subjective. Therefore, for most financial instruments, the estimation of fair value is not necessarily an indication of the realization value of the financial instrument on the balance sheet date. The fair value valuation uses interest rates prevailing at the balance sheet date, and does not take into account fluctuations in interest rates. The assumption of different interest rates will result in fair values that could be substantially different. Essentially, this relates to financial instruments that bear fixed interest or are interest-free, or to CPI-linked financial instruments with shorter maturities than those in which similar transactions are actually effected. In addition, in determining the fair value, the commissions to be received or paid as a result of the business activity are not taken into account, nor does it include the tax effect. Moreover, the difference between the carrying value and the fair value balances may not be realized, because, in most cases, the Bank will hold the financial instrument to maturity. Consequently, it should be emphasized that the data included in this note do not indicate the value of the Bank as a going concern. In addition, because of the broad range of valuation techniques and the possible estimates to be applied during the valuation of the fair value, one must be cautious when comparing the fair values between different banks.

2) The principal methods and assumptions for estimating fair value of financial instruments

A. Fair value was calculated taking into account the possibility of early repayment based on empirical analysis.

The early repayment assumptions in mortgages are based on empirical testing and on a borrower behavior model with regard to early repayment rate out of all mortgages. These assumptions are verified from time to time against actual early repayment, in each linkage segment and interest type, separately short and long original loan terms.

Early repayment assumptions for deposits and savings plans with early withdrawal options (bearing fixed or variable interest, CPI-linked or non-linked), where interest terms are known in advance, are based on empirical analysis and are reviewed and revised from time to time.

The early repayment assumptions resulted in a NIS 275 million decrease in total fair value of assets, and in a NIS 23 million decrease in total fair value of liabilities.

b. Deposits from the public, deposits with banks and loans to Governments, as well as bonds and non-negotiable subordinated notes – the discounted future cash flow method, using interest rates at which, according to the Bank, similar transactions could have been executed on the balance sheet date. For transactions which bear variable interest, the difference between the spread over the variable interest base for the transaction, and the spread for similar transactions upon the balance sheet date is separated. In calculating fair value, this difference is treated as a fixed interest component. For bonds and subordinated notes traded as an asset on an active market, fair value is based on quoted market prices or on trader quotes for identical liabilities traded on an active market.

C. Negotiable securities, see Note 1.F.6 to the Financial Statements.

D. Investments in corporations for which a market value cannot be quoted and options where shares of such corporations are the underlying asset, are not included in this Note at their fair value but rather at cost, (net of impairment) adjusted for observed price changes in standard transactions in similar or identical investments for the same issuer. The cost, in the estimation of management, is not lower than the fair value of the investment.

E. Loans to the public – The fair value of loans to the public is estimated by the present value of future cash flows method, using an appropriate discount rate. For loans which bear variable interest, the difference between the spread over the variable interest base for the transaction, and the spread for similar loans upon the reporting date is separated. In calculating fair value, this difference is treated as a fixed interest component. The balance of the loans was broken down according to the risk level of the individual borrower at the balance sheet date, for which the flows of future receipts (principal and interest) were calculated.

These receipts were discounted at the interest rates at which the Bank estimates it will be possible to execute similar transactions on the balance sheet date, and which reflects the risk level inherent in the loans for a similar customer (for residential mortgages – a rate which reflects the risk associated with the category).

F. Non-accruing debts – fair value is calculated using discount rates that reflects the high credit risk inherent therein. In no case were these discount rates lower than the highest interest rate used by the members of the Bank Group in providing loans on the balance sheet date. The future cash flows of non-accruing debts were calculated after deducting the provisions for credit losses and after deducting accounting write-offs.

a decrease by 1% in the discount rate affects the fair value of non-accruing debt of the Group by NIS 62 million.

Note 33 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

G. Off-balance sheet financial instruments in which the balance represents credit risk and contingent liabilities and special commitments – the balance in the financial statements as of the balance sheet date approximates the fair value.

H. Derivative instruments – see Note 1.F.16 to the Financial Statements.

I. Financial instruments with original maturity of three months or shorter (other than derivative instruments and negotiable financial instruments) – the balance on the balance on the financial statements as of the balance sheet date approximates the fair value, subject to changes in credit risk and in Bank margin.

3) Information on the fair value of financial instruments is presented below:

A. Fair value balances

	December 31, 2024				
		Fair value			
	Book balance	**Level 1(1)**	**Level 2(1)**	**Level 3(1)**	**Total**
Financial assets					
Cash and deposits with banks	82,644	32,509	48,996	1,092	82,597
Securities(3)	28,491	21,008	6,792	578	28,378
Securities borrowed or purchased in resale agreements	264	264	-	-	264
Loans to the public, net	357,981	6,005	9,930	(5)338,207	354,142
Loans to Governments	318	-	-	320	320
Investments in associated companies	-	-	-	-	-
Assets with respect to derivatives	5,526	806	4,252	(2)468	5,526
Other financial assets	5,216	3,108	-	2,108	5,216
Total financial assets	**(4)480,440**	**63,700**	**69,970**	**342,773**	**476,443**
Financial liabilities					
Deposits from the public	393,383	13,370	115,350	265,015	393,735
Deposits from banks	2,599	-	731	1,865	2,596
Deposits from the Government	49	-	-	47	47
Bonds and subordinated notes	36,916	33,408	-	2,200	35,608
Liabilities with respect to derivatives	5,123	807	3,845	(2)471	5,123
Other financial liabilities	11,147	4,541	1,970	4,630	11,141
Total financial liabilities	**(4)449,217**	**52,126**	**121,896**	**274,228**	**448,250**

(1) Level 1 – Fair value measurements using quoted prices on an active market.
Level 2 – Fair value measurements using other significant observed data.
Level 3 – Fair value measurements using significant non-observed data.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) For more information about the carrying amount and fair value of securities, see Note 12 to the financial statements.

(4) Includes assets and liabilities amounting to NIS 116,234 million and NIS 128,876 million, respectively, whose carrying amount equals their fair value (instruments presented at fair value on the balance sheet). For more information on instruments measured at fair value on recurring basis and on non-recurring basis, see B.-D. below.

(5) Of which embedded derivatives in loans to the public, net amounting to NIS 25 million.

Note 33 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

A. Fair value balances – continued

	December 31, 2023				
		Fair value			
	Book balance	**Level 1[1]**	**Level 2[1]**	**Level 3[1]**	**Total**
Financial assets					
Cash and deposits with banks	86,550	36,486	48,012	2,008	86,506
Securities[3]	23,071	17,708	4,905	326	22,939
Securities borrowed or purchased in resale agreements	106	106	-	-	106
Loans to the public, net	325,346	2,379	9,097	[5]308,150	319,626
Loans to Governments	480	-	-	480	480
Investments in associated companies	-	-	-	-	-
Assets with respect to derivatives	6,282	481	5,173	[2]628	6,282
Other financial assets	1,325	7	-	1,318	1,325
Total financial assets	**[4]443,160**	**57,167**	**67,187**	**312,910**	**437,264**
Financial liabilities					
Deposits from the public	358,553	8,483	92,576	256,795	357,854
Deposits from banks	4,571	-	1,084	3,467	4,551
Deposits from the Government	71	-	-	69	69
Bonds and subordinated notes	37,070	33,157	-	2,234	35,391
Liabilities with respect to derivatives	7,367	469	6,242	[2]656	7,367
Other financial liabilities	7,832	1,682	1,791	4,354	7,827
Total financial liabilities	**[4]415,464**	**43,791**	**101,693**	**267,575**	**413,059**

(1) Level 1 – Fair value measurements using quoted prices on an active market.
Level 2 – Fair value measurements using other significant observed data.
Level 3 – Fair value measurements using significant non-observed data.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) For more information about the carrying amount and fair value of securities, see Note 12 to the financial statements.

(4) Includes assets and liabilities amounting to NIS 98,547 million and NIS 117,458 million, respectively, whose carrying amount equals their fair value (instruments presented at fair value on the balance sheet). For more information on instruments measured at fair value on recurring basis and on non-recurring basis, see B.-D. below.

(5) Of which embedded derivatives in loans to the public, net amounting to NIS 16 million.

Note 33 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value:

1. On recurring basis

	December 31, 2024			
	Prices quoted on active market (level 1)	Other significant observed data (level 2)	Non-observed significant data (level 3)	Total fair value
Assets				
Bonds available for sale				
Bonds:				
of Government of Israel	5,621	6,280	-	11,901
Of foreign governments	1,811	-	-	1,811
Of banks and financial institutions in Israel	490	55	-	545
Of banks and financial institutions overseas	4	134	-	138
Asset-backed (ABS)	-	56	-	56
Of others in Israel	882	218	-	1,100
Of others overseas	155	8	7	170
Shares not held for trading	271	41	24	336
Securities held for trading:				
Bonds of the Government of Israel	8,057	-	-	8,057
Bonds of overseas governments	150	-	-	150
Bonds of financial institutions in Israel	1	-	-	1
Bonds of others in Israel	16	-	-	16
Bonds of foreign others	24	-	-	24
Shares held for trading	20	-	-	20
Securities borrowed or purchased in resale agreements	264	-	-	264
Credit with respect to loans to customers	6,005	-	-	6,005
Assets with respect to derivatives(1)				
Interest contracts:				
NIS / CPI	-	25	81	106
Other	-	2,102	9	2,111
Currency contracts	44	2,004	377	2,425
Contracts for shares	762	121	1	884
Commodities and other contracts	-	-	-	-
Other financial assets	3,108	-	-	3,108
Other	-	-	25	25
Total assets	**27,685**	**11,044**	**524**	**39,253**
Liabilities				
Deposits with respect to borrowing from customers	13,370	-	-	13,370
Securities borrowed or purchased in resale agreements	-	-	-	-
Liabilities with respect to derivatives(1)				
Interest contracts:				
NIS / CPI	-	39	66	105
Other	-	1,512	50	1,562
Currency contracts	44	2,175	352	2,571
Contracts for shares	763	119	3	885
Commodities and other contracts	-	-	-	-
Other financial liabilities	4,541	-	-	4,541
Other	-	-	-	-
Total liabilities	**18,718**	**3,845**	**471**	**23,034**

(1) Fair value measurement of derivative instruments classified under Level 3 is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

Note 33 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value – continued:

1. On recurring basis

	December 31, 2023			
	Prices quoted on active market (level 1)	Other significant observed data (level 2)	Non-observed significant data (level 3)	Total fair value
Assets				
Bonds available for sale				
Bonds:				
of Government of Israel	4,818	4,320	-	9,138
Of foreign governments	310	-	-	310
Of banks and financial institutions in Israel	373	65	-	438
Of banks and financial institutions overseas	2	249	-	251
Asset-backed (ABS)	-	56	-	56
Of others in Israel	861	114	-	975
Of others overseas	196	7	2	205
Shares not held for trading	228	52	24	304
Securities held for trading:				
Bonds of the Government of Israel	7,111	39	-	7,150
Bonds of overseas governments	273	-	-	273
Bonds of financial institutions in Israel	4	-	-	4
Bonds of others in Israel	23	-	-	23
Bonds of foreign others	27	3	-	30
Shares held for trading	16	-	-	16
Securities borrowed or purchased in resale agreements	106	-	-	106
Credit with respect to loans to customers	2,379	-	-	2,379
Assets with respect to derivatives(1)				
Interest contracts:				
NIS / CPI	-	51	58	109
Other	-	1,867	2	1,869
Currency contracts	57	3,164	567	3,788
Contracts for shares	421	91	1	513
Commodities and other contracts	3	-	-	3
Other financial assets	7	-	-	7
Other	-	-	16	16
Total assets	**17,215**	**10,078**	**670**	**27,963**
Liabilities				
Deposits with respect to borrowing from customers	8,483	-	-	8,483
Securities borrowed or purchased in resale agreements	-	-	-	-
Liabilities with respect to derivatives(1)				
Interest contracts:				
NIS / CPI	-	87	25	112
Other	-	1,462	48	1,510
Currency contracts	45	4,600	583	5,228
Contracts for shares	421	91	-	512
Commodities and other contracts	3	2	-	5
Other financial liabilities	1,682	-	-	1,682
Other	-	-	-	-
Total liabilities	**10,634**	**6,242**	**656**	**17,532**

(1) Fair value measurement of derivative instruments classified under Level 3 is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

Note 33 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value – continued:

2. On non-recurring basis

	December 31, 2024				For the year ended December 31, 2024
	Fair value				
	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total	Gains (losses)
Non-accruing credit whose collection is contingent on collateral	-	-	676	676	(92)
Investments in shares for which no fair value is available	-	-	541	541	72

	December 31, 2023				For the year ended December 31, 2023
	Fair value				
	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total	Gains (losses)
Non-accruing credit whose collection is contingent on collateral	-	-	280	280	(46)
Investments in shares for which no fair value is available	-	-	298	298	21

(1) Level 1 – Fair value measurements using quoted prices on an active market.
Level 2 – Fair value measurements using other significant observed data.
Level 3 – Fair value measurements using significant non-observed data.

Note 33 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

C. Change in items measured at fair value on recurrent basis, included in level 3:

	For the year ended December 31, 2024									
		Net realized / unrealized gains (losses) included[1]								
	Fair value as of December 31, 2023	In statement of profit and loss	In statement of other comprehensive income under Equity	Acquisit-ions	Sales	Disposi-tions	Transfer to level 3[3]	Transfers from Level 3[3]	Fair value as of December 31, 2024	Unrealized gains (losses) with respect to instruments held as of December 31, 2024
Assets										
Securities available for sale										
Bonds:										
Of others in Israel	-	-	-	-	-	-	-	-	-	-
Of others overseas	2	1	-	-	-	(2)	6	-	7	(1)
Shares not held for trading	24	-	-	-	-	-	-	-	24	1
Assets with respect to derivatives[2]										
Interest contracts:										
NIS / CPI	58	16	-	3	-	(28)	32	-	81	47
Other	2	5	-	2	-	-	-	-	9	8
Currency contracts	567	(283)	-	680	-	(585)	-	(2)	377	354
Contracts for shares	1	-	-	3	-	(3)	-	-	1	10
Commodities and other contracts	-	-	-	-	-	-	-	-	-	-
Other	16	9	-	-	-	-	-	-	25	-
Total assets	**670**	**(252)**	**-**	**688**	**-**	**(618)**	**38**	**(2)**	**524**	**419**
Liabilities										
Liabilities with respect to derivatives[2]										
Interest contracts:										
NIS / CPI	25	22	-	7	-	(24)	36	-	66	(65)
Other	48	(5)	-	7	-	-	-	-	50	(3)
Currency contracts	583	(218)	-	601	-	(615)	3	(2)	352	(315)
Contracts for shares	-	15	-	2	-	(12)	-	(2)	3	(3)
Other	-	-	-	-	-	-	-	-	-	-
Total liabilities	**656**	**(186)**	**-**	**617**	**-**	**(651)**	**39**	**(4)**	**471**	**(386)**

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Note 33 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

C. Change in items measured at fair value on recurrent basis, included in level 3:

	For the year ended December 31, 2023									
	Fair value as of December 31, 2022	Net realized / unrealized gains (losses) included[1] In statement of profit and loss	Net realized / unrealized gains (losses) included[1] In statement of other comprehensive income under Equity	Acquisit-ions	Sales	Disposi-tions	Transfer to level 3[3]	Transfers from Level 3[3]	Fair value as of December 31, 2023	Unrealized gains (losses) with respect to instruments held as of December 31, 2023
Assets										
Securities available for sale										
Bonds:										
Of foreign financial institutions	-	-	-	-	-	-	-	-	-	-
Of others in Israel	11	8	(6)	-	(2)	(11)	-	-	-	(1)
Of others overseas	3	-	-	-	-	(2)	1	-	2	-
Shares not held for trading	23	1	-	-	-	-	-	-	24	1
Assets with respect to derivatives[2]										
Interest contracts:										
NIS / PI	56	7	-	7	-	(27)	42	(27)	58	54
Other	3	2	-	61	-	(4)	-	(60)	2	48
Currency contracts	307	261	-	1,007	-	(937)	-	(71)	567	417
Contracts for shares	39	(10)	-	16	-	(44)	-	-	1	-
Commodities and other contracts	2	(2)	-	-	-	-	-	-	-	-
Other	9	7	-	-	-	-	-	-	16	-
Total assets	**453**	**274**	**(6)**	**1,091**	**(2)**	**(1,025)**	**43**	**(158)**	**670**	**519**
Liabilities										
Liabilities with respect to derivatives[2]										
Interest contracts:										
NIS / CPI	61	11	-	4	-	(77)	45	(19)	25	(27)
Other	64	-	-	67	-	(7)	-	(76)	48	(75)
Currency contracts	233	803	-	1,180	-	(1,422)	-	(211)	583	(712)
Contracts for shares	83	(4)	-	6	-	(85)	-	-	-	-
Other	7	(7)	-	-	-	-	-	-	-	-
Total liabilities	**448**	**803**	**-**	**1,257**	**-**	**(1,591)**	**45**	**(306)**	**656**	**(814)**

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.
(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.
(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Note 33 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

D. Additional information about non-observed significant data and valuation techniques used in fair value measurement of items classified at Level 3:

	Fair value as of December 31, 2024	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	24	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of foreign others	7	Cash flows discounting	Price	7.75-90.50	33.4
Assets with respect to derivative instruments:					
NIS / CPI	44	Cash flows discounting	Inflationary expectations	2.57%-2.76%	2.71%
Contracts for shares	6	Options pricing model	Standard deviation per share	36.12%-108.19%	73.43%
Other	443	Cash flows discounting	Counter-party credit quality	0.30%-2.60%	1.84%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	70	Cash flows discounting	Inflationary expectations	2.57%-2.76%	2.70%
Other	401	Cash flows discounting	Counter-party credit quality	0.30%-3.30%	2.02%

	Fair value as of December 31, 2023	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	24	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of foreign others	2	Cash flows discounting	Price	1.31-62.10	10.51
Assets with respect to derivative instruments:					
NIS / CPI	24	Cash flows discounting	Inflationary expectations	2.37%-3.05%	2.72%
Contracts for shares	4	Options pricing model	Standard deviation per share	48.45%-145.27%	72.06%
Other	616	Cash flows discounting	Counter-party credit quality	1.80%-2.60%	1.84%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	24	Cash flows discounting	Inflationary expectations	2.55%-3.05%	2.82%
Other	632	Cash flows discounting	Counter-party credit quality	1.80%-2.50%	1.83%

Note 33 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

E. Information regarding uncertainty of fair value measurements to changes in unobserved data

The main valuation technique of significant unobserved data used in measurement of fair value of assets and liabilities at Level 3 is Discounted Cash Flow. The future cash flow for the instrument is derived from the agreement with the counter-party. The discount rate used to discount the cash flow reflects the Bank's assumptions.

The primary unobserved data used in measurement of fair value of bonds is the price of the bonds.

F. Election of fair value option

Should the Bank elect the fair value option, changes to fair value of investments in certain bonds would be recorded to profit and loss, with bonds classified under the portfolio held for trading, although they had not been purchased for this purpose.

The election of the fair value option was made under the following circumstances:

1. Reduce volatility in profit and loss resulting from changes between the original measurement basis of financial instruments designated at the fair value option, and the measurement basis of derivative financial instruments used to manage risks with respect to such investments.
2. Complexity of implementing hedge accounting.
3. More accurate economic presentation of assets managed on fair value basis.

As of December 31, 2024 and December 31, 2023, the Bank did not elect the fair value option.

For more information see Notes 2D, 3A.2, 3B And 12(4).

Note 34 – Interested and Related Parties
Reported amounts (NIS in millions)

A. Balances

	As of December 31, 2024											
	Interested parties								Related parties owned by the banking corporation			
	Controlling shareholders		Officers[4]		Others[5]		Interested parties upon the transaction date		Jointly-controlled associated companies or investee companies		Others	
	Balance as of balance sheet date	Highest balance during the year[1]	Balance as of balance sheet date	Highest balance during the year[1]	Balance as of balance sheet date	Highest balance during the year[1]	Balance as of balance sheet date	Highest balance during the year[1]	Balance as of balance sheet date	Highest balance during the year[1]	Balance as of balance sheet date	Highest balance during the year[1]
Assets												
Securities	-	-	-	-	50	52	-	-	-	-	-	-
Loans to the public	-	-	20	20	123	161	-	-	-	-	2	3
Provision for credit losses	-	-	-	-	-	-	-	-	-	-	-	-
Loans to the public, net	-	-	20	20	123	161	-	-	-	-	2	3
Investments in associated companies	-	-	-	-	-	-	-	-	263	263	-	-
Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Deposits from the public	57	65	46	53	700	1,322	-	-	-	-	2	2
Shares (included in shareholders' equity)[2]	12,958	12,958	-	-	-	-	-	-	-	-	-	-
Credit risk in off-balance sheet financial instruments[3]	-	-	2	3	359	373	-	-	-	-	-	-

(1) Based on balances at the end of each month.
(2) The share of interested and related parties in the Bank's shareholders' equity.
(3) Credit risk in off-balance sheet financial instruments, as calculated for the purposes of per-borrower limitations.
(4) Officers of the Bank (including the President & CEO) and including Board members along with their close family members.
(5) Any corporation in which a person or corporation included in one of these interested party groups has a controlling interest or owns 25% or more of their issued share capital or voting rights, or may appoint 25% or more of their Board members.

As of December 31, 2023											
Interested parties								Related parties owned by the banking corporation			
Controlling shareholders		Officers[4]		Others[5]		Interested parties upon the transaction date		Jointly-controlled associated companies or investee companies		Others	
Balance as of balance sheet date	Highest balance during the year[1]	Balance as of balance sheet date	Highest balance during the year[1]	Balance as of balance sheet date	Highest balance during the year[1]	Balance as of balance sheet date	Highest balance during the year[1]	Balance as of balance sheet date	Highest balance during the year[1]	Balanc e as of balance sheet date	Highest balance during the year[1]
-	-	-	-	49	53	-	-	-	-	-	-
-	-	16	18	222	357	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	16	18	222	357	-	-	-	-	-	-
-	-	-	-	-	-	-	-	242	242	-	-
-	-	-	-	-	-	-	-	-	-	-	-
56	56	46	46	1,200	1,992	-	-	-	-	-	-
11,374	11,374	-	-	-	-	-	-	-	-	-	-
-	-	1	1	188	188	-	-	-	-	-	-

Note 34 – Interested and Related Parties – Continued

Reported amounts (NIS in millions)

B. Summary of business results with interested and related parties

	For the year ended December 31			
	2024			
	Interested parties			Related parties owned by the banking corporation
	Controlling shareholders	Officers[1]	Others[2]	Jointly-controlled associated companies or investee companies
Net interest revenues from loans to the public	-	1	12	-
Interest expenses for deposits from the public	(2)	(2)	(54)	-
Total interest revenues (expenses), net	**(2)**	**(1)**	**(42)**	**-**
Net non-interest financing revenues	-	-	(17)	-
Operating and other expenses	-	(55)	-	-
Total	**(2)**	**(56)**	**(59)**	**-**

C. Remuneration and other benefits to interested parties (by the banking corporation and its investees)

	For the year ended December 31			
	2024			
	Officers[1]		Others[2]	
	Total benefits	Total number of benefit recipients	Total benefits	Total number of benefit recipients
Interested party employed by or on behalf of the corporation	49	16	-	-
Board member not employed by or on behalf of the corporation	6	10	-	-
Other interested party not employed by or on behalf of the corporation	-	-	-	-

(1) Officers of the Bank (including the President & CEO) and including Board members along with their close family members.

(2) Any corporation in which a person or corporation included in one of these interested party groups has a controlling interest or owns 25% or more of their issued share capital or voting rights, or may appoint 25% or more of their Board members.

2023				2022			
Interested parties			Related parties owned by the banking corporation	Interested parties			Related parties owned by the banking corporation
Controlling shareholders	Officers[1]	Others[2]	Jointly-controlled associated companies or investee companies	Controlling shareholders	Officers[1]	Others[2]	Jointly-controlled associated companies or investee companies
-	1	8	-	1	1	12	-
(1)	(1)	(55)	-	(1)	(1)	(11)	-
(1)	**-**	**(47)**	**-**	**-**	**-**	**1**	**-**
-	-	(39)	-	-	(1)	(5)	-
-	(50)	-	-	-	(46)	-	-
(1)	**(50)**	**(86)**	**-**	**-**	**(47)**	**(4)**	**-**

2023				2022			
Officers[1]		Others[2]		Officers[1]		Others[2]	
Total benefits	Total number of benefit recipients	Total benefits	Total number of benefit recipients	Total benefits	Total number of benefit recipients	Total benefits	Total number of benefit recipients
45	15	-	-	39	14	-	-
5	9	-	-	7	9	-	-
-	-	-	-	-	-	-	-

Note 35 – Events Subsequent to the Balance Sheet Date

- On February 26, 2025, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 522.4 million, constituting 40% of earnings in the fourth quarter of 2024, in conformity with the Bank's dividend policy and after assessing the planning of the Bank's capital under the different scenarios.

  The dividend amount constitutes 2,015.73% of the issued capital, i.e. 201.57 agorot per NIS 0.1 par value share. The effective date for dividends payment is March 6, 2025 and the payment date is March 13, 2025. The final dividends per share is subject to changes due to realized convertible securities of the Bank. According to accounting rules, this amount will be deducted from retained earnings in the first quarter of 2025.

- On January 29, 2025 - subsequent to balance sheet date - Tfahot Issuance issued to the public Bonds (Series 52 - by way of expansion) with par value of approx. NIS 2.5 billion and Commercial Papers (Series 4) with par value of approx. NIS 2.3 billion. The total proceeds received amounted to NIS 4.8 billion.

Note 36 – Condensed financial statements of the Bank[(1)]

A. Statement of profit and loss

Reported amounts (NIS in millions)

	2024	2023	2022
Interest revenues	24,412	22,698	15,058
Interest expenses	14,114	12,117	6,273
Interest revenues, net	10,298	10,581	8,785
Expenses due to credit losses	460	1,330	654
Interest revenues, net after expenses with respect to credit losses	**9,838**	**9,251**	**8,131**
Non-interest revenues			
Non-interest financing revenues	557	472	673
Commissions	1,766	1,759	1,670
Other revenues	258	245	402
Total non-interest revenues	**2,581**	**2,476**	**2,745**
Operating and other expenses			
Payroll and associated expenses	3,006	3,132	3,295
Maintenance and depreciation of buildings and equipment	875	979	803
Other expenses	514	652	586
Total operating and other expenses	**4,395**	**4,763**	**4,684**
Pre-tax profit	8,024	6,964	6,192
Provision for taxes on profit	3,007	2,438	2,168
After-tax profit	**5,017**	**4,526**	**4,024**
Share in profits of investee companies, after tax	438	384	448
Net profit	**5,455**	**4,910**	**4,472**

(1) Complete data for the Bank solo is available on the Bank website:
www.mizrahi-tefahot.co.il >> About the Bank >> Investor Relations >> Financial Information

Note 36 – Condensed financial statements of the Bank – Continued

B. Balance sheet

Reported amounts (NIS in millions)

	2024	2023
Assets		
Cash and deposits with banks	79,968	80,876
Securities[1]	23,029	19,165
Securities borrowed or purchased in resale agreements	264	106
Loans to the public	348,308	315,914
Provision for credit losses	(3,898)	(3,859)
Loans to the public, net	344,410	312,055
Loans to Governments	318	480
Investments in investee companies	5,611	5,139
Buildings and equipment	1,657	1,339
Intangible assets and goodwill	30	60
Assets with respect to derivatives	5,526	6,282
Other assets	7,587	3,841
Total assets	**468,400**	**429,343**
Liabilities and Equity		
Deposits from the public	395,467	360,694
Deposits from banks	20,873	21,040
Deposits from the Government	32	63
Bonds and subordinated notes	2,240	2,427
Liabilities with respect to derivatives	5,123	7,367
Other liabilities [2]	13,373	10,291
Total liabilities	**437,108**	**401,882**
Capital	**31,292**	**27,461**
Total liabilities and equity	**468,400**	**429,343**

(1) Of which: NIS 22,315 million recognized on the financial statements at fair value (on December 31, 2023: NIS 18,498 million).
(2) Of which: Provision for credit losses with respect to off balance sheet credit instruments amounting to NIS 243 million (on December 31, 2023: NIS 200 million).

Note 36 – Condensed financial statements of the Bank – Continued

C. Statement of cash flows

Reported amounts (NIS in millions)

	2024	2023	2022[1]
Cash Flows from Current Activity			
Net profit before attribution to non-controlling interests	5,455	4,910	4,472
Adjustments			
Share of banking corporation in undistributed earnings of associated companies	(438)	(384)	(448)
Depreciation of buildings and equipment (including impairment)	239	363	233
Expenses due to credit losses	460	1,330	654
Loss (gain) from sale of securities available for sale and shares not held for trading	25	105	53
Realized and unrealized loss (gain) from adjustment to fair value of securities held for trading	(43)	9	(86)
Realized and unrealized loss (gain) from adjustments to fair value of shares not held for trading	(71)	(7)	30
Gain from sale of buildings and equipment	-	-	(127)
Impairment of securities held for sale and shares not held for trading	6	15	47
Expenses arising from share-based payment transactions	50	57	45
Deferred taxes, net	25	(159)	(360)
Change in employees' provisions and liabilities	66	(190)	473
Adjustments with respect to exchange rate differentials	(24)	(181)	(463)
Accrual differences included with investment and financing operations	8,853	(2,510)	(574)
Net change in current assets			
Assets with respect to derivatives	759	(488)	(2,459)
Securities held for trading	531	(832)	(485)
Other assets, net	(3,906)	(216)	1,281
Net change in current liabilities			
Liabilities with respect to derivatives	(2,244)	2,153	1,967
Other liabilities	3,068	(1,503)	1,353
Net cash provided by current operations	**12,811**	**2,472**	**5,606**

(1) Reclassified

Note 36 – Condensed financial statements of the Bank – Continued

C. Statement of cash flows – Continued

Reported amounts (NIS in millions)

	2024	2023	2022[1]
Cash flows from investment activities			
Net change in deposits with banks	-	3	1
Net change in loans to the public	(26,549)	(15,437)	(53,047)
Net change in loans to Governments	162	(162)	159
Net change in securities loaned or acquired in resale agreements	(158)	209	97
Acquisition of bonds held to maturity	(25)	(15)	(52)
Proceeds from redemption of bonds held to maturity	(6)	273	-
Purchase of securities available for sale and shares not held for trading	(21,808)	(10,195)	(13,830)
Proceeds from sale of securities available for sale and shares not held for trading	6,501	7,872	11,608
Proceeds from redemption of securities available for sale	3,057	1,331	58
Proceeds from sale of loan portfolios	125	-	1,934
Purchase of loan portfolios – public	(2,300)	(2,643)	(2,306)
Acquisition of buildings and equipment	(557)	(394)	(339)
Proceeds from sale of buildings and equipment	-	-	201
Purchase of shares in associated companies	(250)	(15)	(61)
Proceeds from realized investment in associated companies	339	-	8
Other	-	-	791
Net cash used in investment activities	**(41,469)**	**(19,173)**	**(54,778)**
Cash flows provided by financing operations			
Net change in deposits from the public	29,886	12,835	56,347
Net change in deposits from banks	(167)	(3,365)	(368)
Net change in deposits from Government	(31)	32	(41)
Redemption of bonds and subordinated notes	(93)	(317)	(2,273)
Dividends paid to shareholders	(1,869)	(1,390)	(941)
Net cash provided by financing operations	**27,726**	**7,795**	**52,724**
Increase (decrease) in cash	(932)	(8,906)	3,552
Cash balance at beginning of the period	80,876	89,601	85,586
Effect of changes in exchange rate on cash balances	24	181	463
Cash balance at end of the period	**79,968**	**80,876**	**89,601**
Interest and taxes paid / received			
Interest received	23,107	20,749	11,135
Interest paid	12,839	9,460	4,821
Dividends received	23	9	8
Income taxes received	190	18	106
Income taxes paid	3,261	3,083	2,012
Appendix A – Non-cash Investment and Financing Transactions			
Acquisition of buildings and equipment	-	-	-

(1) Reclassified

Bank Mizrahi Tefahot

Corporate governance, audit, other information about the Bank and its management

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Corporate governance and audit

Board of Directors and management

Board of Directors

During 2024, the Bank's Board of Directors held 25 plenary meetings. During this period there were also 54 meetings of Board committees and 11 Board member workshops.

The permanent Board committees are: Audit, Credit, Risks Management, IT and Technology Innovation and Remuneration.

Presented below are changes during 2024 and through publication of these financial statements:

- On February 12, 2024, the Bank's Board of Directors resolved to appoint Mr. Avraham Zeldman (who has been serving the Bank as Board member since 2015) to be Chairman of the Board of Directors, effective as from June 16, 2024, after the expiration of Moshe Vidman's term in office as Chairman of the Board of Directors. For further details see the Bank's report from February 12, 2024 (reference no.: 2024-01-015285).
  On April 10, 2024 the Bank reported that it had received the Supervisor of Banks' notice, according to which they had no objection to the abovementioned appointment, provided that Mr. Zeldman will resign from his positions in two other companies. For further details, see the Immediate Report from April 10, 2024 (reference no.: 2024-01-036214).
  On June 16, 2024, Mr. Avraham Zeldman began serving as the Chairman of the Board of Directors of the Bank. For further details see the Bank's reports from June 16, 2024 (reference nos.: 2024-01-060172 and 2024-01-060178).
  On August 27, 2024, the General Meeting of Bank shareholders approved, in line with the resolution by the Board of Directors and after approval by the Remuneration Committee, the terms of office and employment of Mr. Avraham Zeldman regarding his term in office as the Chairman of the Bank's Board of Directors, which commenced on June 16, 2024. For details regarding the terms of office and employment of the Chairman of the Board of Directors, see Appendix B to report dated July 22, 2024 (Reference No.: 2024-01-077401).
- The Extraordinary General Meeting held on February 20, 2024 resolved to approve re-appointment of Ms. Esteri Gilez-Ran as External Board member of the Bank, pursuant to the Corporate Law (also compliant with qualifications for External Board member pursuant to Proper Bank Management Directive 301), for a further (second) term in office of three (3) years starting February 27, 2024. For further details see the Bank's report from February 20, 2024 (reference no.: 2024-01-018129).
- On March 28, 2024, the Bank's Board of Directors announced its intention to (re)-appoint Mr. Moshe Widman as Bank Board Member. On May 12 the Commissioner of Banks announced that he had no objection to the appointment in question. In a Special General Meeting of Shareholder held June 13, 2024 it was resolved to (re)-appoint Mr. Moshe Vidman as Director at the Bank for an additional term starting June 16, 2024. The duration of Mr. Vidman's service as bank director shall be to the end of the Annual General Meeting held in 2025. On June 16, 2024, Mr. Moshe Vidman ceased serving as the Chairman of the Board of Directors of the Bank. Note that Mr. Vidman has served as Board member of the Bank since August 2010 and served as Chairman of the Bank Board of Directors from December 1, 2012. For further details see the Bank's reports from March 28, 2024, May 6, 2024, May 12, 2024, June 13, 2024 and June 16, 2024 (reference nos.: 2024-01-034656, 2024-01-043780, 2024-01-046762, 2024-01-059959 and 2024-01-060169).
- The Extraordinary General Meeting held on August 27, 2024 resolved to approve re-appointment of Ms. Hannah Feuer as External Board member of the Bank, pursuant to the Corporate Law (also compliant with qualifications for External Board member pursuant to Proper Bank Management Directive 301) for a further (third) term in office of three (3) years starting August 30, 2024. For further details see the Bank's report from August 27, 2024 (Ref. No.: 202401-094843).

Members of the Bank's Board of Directors and their membership of Board committees, as of the publication date of these financial statements:

Avraham Zeldman Chairman of the Board of Directors	Credit Committee – Chairman; Risks Management Committee – Chairman; IT and Technology Innovation Committee.
Eli Alroy	IT and Technology Innovation Committee, Credit Committee
Ron Gazit	IT and Technology Innovation Committee, Credit Committee
Estheri Giloz-Ran	Audit Committee, IT and Technology Innovation Committee, Remuneration Committee
Moshe Vidman	Audit Committee, Risk Management Committee
Hannah Fayer	Remuneration Committee – Chair, Audit Committee, Credit Committee
Joseph Fellus	Audit Committee – Chair, Credit Committee, Risks Management Committee; Remuneration Committee.
Jonathan Kaplan	Credit Committee, Risks Management Committee, IT and Technology Innovation Committee.
Ilan Kremer	Risk Management Committee
Gilad Rabinobich	IT and Technology Innovation Committee – Chair, Audit Committee, Risks Management Committee, Remuneration Committee.

Board members with accounting and financial expertise – The Bank's Board of Directors prescribed that at least three directors should have accounting and finance qualifications. In the Board's opinion, this number enables it to meet all of the obligations imposed on it, especially with respect to its responsibility to examine the financial position of the corporation and to prepare and approve financial statements. The Board has also determined that the Audit Committee would have as members at least 2 Board members having accounting and financial qualifications. The Audit Committee includes 5 Board members having accounting and financial qualifications.
Based on their skills, education, experience and knowledge, the Bank's Board of Directors includes, as of the publication date of these financial statements, 8 Board members having accounting and financial qualifications: Messrs. Avraham Zeldman, Moshe Vidman, Estheri Giloz-Ran, Hannah Feuer, Joseph Fellus, Jonathan Kaplan, Ilan Kremer and Gilad Rabinobich.
For more information about members of the Bank's Board of Directors, including: qualifications, education and experience and other information about their office, as well as other information about Board members with accounting and financial expertise and professional qualifications, as required pursuant to the Public Reporting Directives and the Securities Regulations, see Regulation 26 on the Bank's 2024 Annual Report on the ISA MAGNA website.

Executive Management

During 2024, through the issue date of these financial statements, there were no changes to the Executive Management Forum.

The following are Executive Management Forum members as of December 31, 2024 with their title and position:

Moshe Lari	President & CEO
Menahem Aviv	Vice President, Manager, Financial Information & Reporting Division and Chief Accountant
Ofer Horvitz	Vice President, Manager, Risks Management Division and Chief risks officer (CRO)
Meital Haroush	Vice President and Manager, Human Capital, Resources and Operations Division
Galit Weizer	Chief Internal Auditor; Manager, Internal Audit Division
Ayala Hakim	Manager, Mizrahi Tefahot Technology Division Ltd. and CIO
Terry Yaskil	Vice President and Manager, Marketing, Advertising and Corporate Development Division
Ofir Morad	Vice President and Manager, Business Banking Division
Rachel Friedman	Vice President, Manager, Legal Division, Chief Legal Counsel
Adi Shachaf	Vice President, Manager, Finance Division and Chief Financial Officer (CFO)
Shevy Shemer	Vice President and Manager, Retail Division
Micha Argaman	Manager, Banking Operation sector.
Tal Ben Ari	Manager, Enterprise Projects Department
Chanan Kikuzashvili	Bank Secretary and Manager, Bank Headquarters
Benny Shoukroun	Bank Spokesman

For more information about senior officers of the Bank, including: education and experience and other information about their office, as required pursuant to the Public Reporting Directives and the Securities Regulations, see Regulation 26A on the Bank's 2024 Annual Report on the ISA MAGNA website.

Internal Auditor

The following is information about the Chief Internal Auditor of the Bank Group, who started in office on July 7, 2011:

Name:	Galit Weizer
Start of term in office:	July 2011
Education:	CPA; undergraduate degree in Accounting and Economics (Hebrew University); graduate degree in Business Administration (Hebrew University).
Experience:	Deputy Chief Internal Auditor at Bank Mizrahi Tefahot; previously, Chief Internal Auditor of Bank Tefahot.

Pursuant to provisions of Section 146(B) of the Corporations Law, 1999 – the Internal Auditor is not an interested party of the corporation, an officer or relative thereof.

Pursuant to provisions of Section 8 of the Internal Audit Law, 1992, the Internal Auditor holds no other position in addition to her position as Chief Internal Auditor, other than as Ombudsman, Internal Auditor of Israeli subsidiaries of Bank Mizrahi Tefahot, including Bank Yahav. The Bank's Internal Auditor holds no position outside of the Bank which creates or may create conflict of interest with her position as Internal Auditor. Other than the foregoing, the Internal Auditor has no material business relationships or other material relationships with the Bank or with any related entity thereof.

In conformity with Proper Conduct of Banking Business Directive 307, audit staff are only appointed subject to consent of the Internal Auditor. Audit staff act on behalf of the Internal Auditor for the purpose of internal audit, and are only instructed on audit-related matters by the Internal Auditor. Internal Audit staff do not hold other positions with the banking corporation in addition to internal audit, other than handling public complaints.

Internal Audit employees are terminated with due process and consent of the Internal Auditor.

As of December 31, 2024, the Internal Auditor is entitled to 12,014, 32,233 and 29,735 options to purchase Mizrahi Tefahot ordinary shares of NIS 0.1 par value, in conformity with the 2021, 2022 and 2023 Allotment Programs, respectively, as approved by the Mizrahi Tefahot Board of Directors.

The Internal Auditor is also entitled to up to 41,051 options to purchase such ordinary shares, in conformity with the 2024 Allotment Program approved by the Mizrahi Tefahot Board of Directors. For further details about this allotment, see Note 23 to the financial statements.

The Board of Directors assumes that the extent of Bank securities owned by the Internal Auditor does not impact the quality of her work.

The Internal Auditor is a full-time employee of the Bank.

Appointment process – Roles and responsibilities

In June 2011, appointment of the Internal Auditor was confirmed by the Audit Committee and the Board of Directors, based on the Auditor's experience and educational qualifications.

The roles and responsibilities of Internal Audit are listed in the Appointment Letter, which has been discussed and approved by the Bank's Board of Directors, including:

- The authority and ability to initiate audits of all units and existing operations of the Bank, in Israel or overseas, and to demand and receive any document and any information required for discharging their office.
- Employees of the Internal Audit function shall have direct access – for discharging their office – to all records, to any regular or computer-based repository, to any database and work files and to any program of automated data processing, including managerial information and meeting minutes of decision making entities, related to the audit subject.
- Employees of the Audit function may enter any property owned or used by the Bank and to examine it.
- With regard to confidential information by law, the Internal Auditor, their staff and anyone acting on behalf thereof shall be subject to statutory limitations. The Internal Auditor, their staff and anyone acting on behalf thereof must not disclose any document or information obtained in the course of discharging their office – unless such disclosure is required for lawfully discharging their office or if such disclosure is required by any law.

Identity of the Internal Auditor's Supervisor

The Internal Auditor reports to the Chairman of the Board of Directors.

Internal Audit work plan

In 2024, Internal Audit work was based on a multi-annual audit plan focused on risk for a three-year period from which an annual work plan was derived. Note that checking of material operations and transactions, including checking of transactions with related parties, are incorporated into the multi-annual work plan of Internal Audit.

In this regard, reference was made to fairness and to management of risks affected by macro-economic changes.

Considerations in determining the multi-annual audit plan

The multi-annual audit plan is based on mapping of activities carried out by different Bank departments according to organizational structure, assignment of potential risk to each activity and setting audit frequency in accordance with:

- The Bank's strategy and work plans.
- Risks surveys conducted at the Bank.
- Regulatory requirements arising from directives of the Supervisor of Banks.
- Basel directives and the ICAAP process.
- Current audit reports of the Bank of Israel.
- Findings in audit reports of the Audit Division.
- Decisions of the Audit Committee and the Chairman of the Board of Directors, as well as requests from the Bank President & CEO.

The multi-annual work plan prepared by the Internal Auditor, is brought up for discussion by the Board of Directors' Audit Committee and sent to the Chairman of the Board of Directors and to the Bank President & CEO. After discussion and recommendation by the Audit Committee, the plan is submitted for approval by the Board of Directors.

Consequently, the multi-annual internal audit work plan for 2024-2026 was approved by the Bank Board of Directors on February 12, 2024.

Considerations in determining the annual audit plan

In addition to the aforementioned considerations, used as a basis for determining the multi-annual audit plan from which the annual audit plan is derived, the annual work plan includes additional special tests required of Internal Audit by request of the Supervisor of Banks, the Chairman of the Board of Directors and the Audit Committee. The Audit also refers to issues as requested by Bank management.

Any material changes are brought for approval by the Audit Committee. In case of non-material changes, the Audit Committee is informed after the fact.

Similar to the multi-annual audit plan, the annual audit plan is also prepared by the Internal Auditor and brought for discussion by the Board's Audit Committee. The plan is also submitted to the Chairman of the Board of Directors and to the Bank President & CEO. After the Board's Audit Committee recommends approval of the plan, the plan is submitted for approval by the Board of Directors.

Accordingly, on February 12, 2024, the Board of Directors approved the annual Internal Audit work plan for 2024.

Overseas audits or audits of held corporations

The Bank's Internal Auditor includes in the annual and multi-annual audit program the active corporations held by the Bank, during her tenure as their internal auditor, except for Bank Yahav, for which a separate audit plan was submitted and approved in 2024 by the Bank Yahav Board of Directors.

In conformity with Proper Conduct of Banking Business Directives 306 and 307, in 2020 local Internal Auditor firms were appointed at Bank affiliates in London and Los Angeles. The work plans of local Internal Auditors are added to the work plan of the Internal Audit Division, discussed by the Audit Committee and approved by the Bank Board of directors.

Scope of employment of the Internal Auditor and their staff

The Internal Auditor is a full-time employee of the Bank.

The average number of positions reporting to the Internal Auditor is derived from Internal Audit needs, which arise from the multi-annual work plan and from the annual work plan of Internal Audit. The average number of positions in 2024, including internal auditors of subsidiaries and overseas branches is as follows:

In Israel		Outside of Israel	
	Employees engaged in internal audit	Employees engaged in role of Ombudsman	Employees engaged in internal audit
	[(1)]53	[(3)]8	[(2)]3

(1) Includes 9 full-time positions for audit at Bank Yahav, including outsourcing equivalent to 6 full-time positions.

(2) Includes use of external service providers overseas.

(3) Includes one temporary position.

Conducting audits

The Internal Auditor performs the audit based on the generally accepted professional standards.

- Various legal requirements, including provisions of the Internal Audit Law, 1992, Banking Regulations (Internal Audit), and regulatory authorities' instructions relevant to the audited area, including guidelines and directives of the Supervisor of Banks, including Proper Conduct of Banking Business Directive 307 concerning "Internal Audit function".
- Professional audit standards published by The Institute of Internal Auditors.

The Board of Directors and the Audit Committee are of the opinion that audit is conducted in accordance with the aforementioned professional standards so as to achieve the objectives of the internal audit. This is done, inter alia, based on annual reporting, semi-annual reporting and work plans of Internal Audit, which include reference to these issues. Furthermore, as needed, an independent external survey is conducted, once every 5 years, of the quality of work of Internal Audit, which is reported to the Audit Committee.

Access to information

The Internal Auditor regularly has complete access to all the information he needs, in conformity with Proper Conduct of Banking Business Directive 307, as stated in Section 9 of the Internal Audit Law, 1992, including constant and direct access to the Bank's IT systems, including financial data. Note that in conducting audits at investees and operations outside of Israel, too, Internal Audit has full access, as noted above, through visits to operation hubs outside of Israel or through receiving material on demand.

Submitting report of Audit findings

The Auditor regularly sends every audit report to the Chairman of the Board of Directors, the chairman of the Audit Committee, the Bank President & CEO and head of the internal audit unit. A copy of each report is also sent to the CRO, Compliance Officer and AML Supervisor, Manager, Risk Control Division and to the Chief Accountant. Audit reports are submitted in writing. Summaries of all audit reports issued in the previous period are submitted to Audit Committee members once every quarter and to the Board of Directors plenum – once every six months. All of the reports are discussed in a forum including the division manager and/or official in-charge of the audited unit or activity. The material reports are discussed by a forum headed by the Bank President & CEO. The Chairman of the Audit Committee, in consultation with the Internal Auditor, determines the material audit reports to be discussed by the Audit Committee.

In August 2024, a report about the performance of the Internal Audit work plan for the first half of 2024 was distributed and was discussed by the Audit Committee on August 5, 2024. The summary report of Internal Audit in 2024 was distributed in February 2025 and discussed by the Audit Committee on February 17, 2025. Other major reports were discussed during the year at regular meetings of the Audit Committee.

Assessment of Internal Auditor's activities

The Board of Directors and the Audit Committee are of the opinion that the scope, nature, continuity of the activity and the work plan of the Internal Auditor are reasonable under the circumstances and would realize the objectives of internal audit.

Remuneration of the Internal Auditor

Below is information about the salary, benefits, employer contributions and provisions paid or provided for to the Chief Internal Auditor in 2024: Salary amounting to NIS 1,317 thousand, bonuses amounting to NIS 765 thousand, social benefits amounting to NIS 354 thousand, share-based payment amounting to NIS 564 thousand and other benefits valued at NIS 116 thousand. Total remuneration paid or provided for, to the Internal Auditor in 2024 amounted to NIS 3,116 thousand. The outstanding balance of loans at standard terms, as of the end of 2024, amounted to NIS 39 thousand. For more information about the officer remuneration policy, see Note 22.A.3 to the financial statements.

The Board of Directors assumes that the size of remuneration provided to the Internal Auditor should not influence her judgment with respect to her work.

Independent Auditors' Fees for the Group(1)(2)(3)(4)

NIS in thousands

	Consolidated		The Bank	
	2024	2023	2024	2023
For audit activities(5):				
Independent auditors	7,587	7,587	7,376	7,376
Other independent auditors	1,913	1,757	900	780
Total	**9,500**	**9,344**	**8,276**	**8,156**
For audit-related services:				
Independent auditors	675	827	675	827
Other independent auditors	-	-	-	-
For tax services(6):				
Independent auditors	349	287	349	287
Other independent auditors	532	347	413	207
For other services(6)(7):				
Independent auditors	3,958	2,763	3,958	2,763
Other independent auditors	275	529	52	241
Total	**5,789**	**4,753**	**5,447**	**4,325**
Total fees to independent auditors	**15,289**	**14,097**	**13,723**	**12,481**

(1) Board of Directors' report to the annual general meeting on auditors' fees for audit activities and for other services in addition to the audit, in accordance with Sections 165 and 167 of the Companies Law, 1999.
(2) Independent auditors' fees include payments to partnerships and corporations under their control, as well as payments under the VAT Law.
(3) Includes fees paid and accrued.
(4) The Independent Auditors, from 1995 to date, have been Brightman Almagor Zohar & Co.
(5) Audit of annual financial statements, review of interim financial statements and audit of report adjusted for income tax purposes.
(6) Includes payments for preparation of reports adjusted for income tax purposes and reports to tax authorities.
(7) Includes mainly payments for consulting and various services.

Details of senior officer remuneration

NIS in thousands

		2024									
Details of remunerated party[1]		Remuneration for services rendered[2]						Loans granted at beneficial terms[3]			
Name	Role	Salary	Bonuses	Social benefit contributions[4]	Share-based payment[5]	Value of additional benefits[6]	Total[7]	Balance as of December 31, 2024	Average term to repayment (in years)	Loans granted at standard terms
Avraham Zeldman[8]	Chairman of the Board of Directors	1,695	-	650	-	47	2,392	-	-	7
Moshe Vidman[9]	Former Chairman of the Board of Directors	1,453	-	382	-	47	1,882	-	-	-
Moshe Lari[10]	President & CEO	3,218	-	718	692	140	4,768	790	8.6	28
Ofir Morad[11]	Vice President and Manager, Business Banking Division	1,308	756	391	756	114	3,325	1,003	6.3	358
Adi Shachaf[11]	Vice President and Manager, Marketing, Advertising and Corporate Development Division	1,298	752	379	756	102	3,287	548	5.0	37
Shevy Shemer[11]	Vice President and Manager, Retail Division	1,298	756	340	756	106	3,256	516	4.6	134

		2023								
Details of remunerated party[1]		Remuneration for services rendered[2]						Loans granted at beneficial terms[3]		
Name	Role	Salary	Bonuses	Social benefit contributions[4]	Share-based payment[5]	Value of additional benefits[6]	Total[7]	Balance as of December 31, 2023	Average term to repayment (in years)	Loans granted at standard terms
Moshe Vidman[9]	Chairman of the Board of Directors	3,112	-	685	-	98	3,895	-	-	38
Moshe Lari[10]	President & CEO	3,127	-	711	573	140	4,551	807	9.1	20
Ofir Morad[11]	Vice President and Manager, Business Banking Division	1,272	597	354	664	110	2,997	1,830	5.5	318
Shevy Shemer[11]	Vice President and Manager, Retail Division	1,263	639	333	664	98	2,997	563	5.1	148
Terry Yaskil[11]	Vice President and Manager, Marketing, Advertising and Corporate Development Division	1,257	507	475	664	94	2,997	-	-	48
Avshalom Buskila [12]	CEO, Bank Yahav Ltd.	1,132	565	1,520	152	30	3,399	-	-	-

Remarks:

(1) Remuneration recipients are employed in a full-time position and do not hold Bank equity.

(2) The amounts are included under "salaries and related expenses" in the statement of profit and loss.

(3) The benefit is under the same terms and conditions granted to all Bank employees.

(4) Includes severance pay, study fund, acclimation bonus, paid leave and social security.

(5) For details of share-based payment to the President and to officers, see Note 23 to the financial statements.

(6) Interest relates to loans granted at beneficial terms compared to market terms. There is no interest benefit with respect to deposits. In other banking transactions, the benefits apply to all Bank employees and the amount thereof is immaterial.

(7) Excluding payroll tax.

(8) On February 12, the Bank's Board of Directors resolved to appoint Mr. Avraham Zeldman (who has been serving the Bank as Board member since 2015) to be Chairman of the Board of Directors, effective as from June 16, 2024, after the expiration of Moshe Vidman's term in office as Chairman of the Board of Directors.
For further details see the Bank's report from February 12 (reference no.: 2024-01-015285).
On June 16, 2024, Mr. Avraham Zeldman began serving as the Chairman of the Board of Directors of the Bank.
On August 27, the General Meeting of Bank shareholders approved, in line with the resolution by the Board of Directors and after approval by the Remuneration Committee, the terms of office and employment of Mr. Avraham Zeldman regarding his term in office as the Chairman of the Bank's Board of Directors, which commenced on June 16, 2024.

For details regarding the terms of office and employment of the Chairman of the Board of Directors, see Appendix B to report dated July 22, 2024 (Reference No.: 2024-01-018129).

(9) Mr. Moshe Vidman – Mr. Vidman's employment start date was December 1, 2012 for three years, ended November 30, 2015 and extended from December 1, 2015 through December 31, 2017 and automatically renewed annually for one additional year, subject to provisions of the employment agreement. For more information about Mr. Vidman's employment terms, see Appendix II to report dated January 9, 2017 (reference no: 2017-01-003457) as well as Note 22.A.1 to the financial statements. On December 20, 2023, the General Meeting of Shareholders took place, and resolved to re-appoint Mr. Moshe Vidman as Chairman of the Board of Directors of the Bank for an additional term which ended on June 15, 2024. For more information see Immediate Report by the Bank dated December 20, 2023 (reference no.: 2023-01-138630).

(10) Mr. Moshe Lari – On June 8, 2020, the Bank's Board of Directors approved the appointment of Mr. Moshe Lari as Bank President & CEO. Mr. Lari started their term in office as full-time Bank President & CEO on September 16, 2020. For more information about Mr. Lari's employment terms, see Appendix D to report dated August 27, 2020 (reference no.: 2020-01-085165) as well as Note 22.A.2 to the financial statements.

(11) Officers employed pursuant to an individual employment agreement for an unspecified term:

Mr. Ofir Morad– Dated January 1, 2014.

Mr. Adi Shachaf – Dated September 16, 2020.

Ms. Shevy Shemer – Dated April 1, 2022

Ms. Terry Yaskil – Dated November 1, 2021.

For more information about employment terms, see Note 22.A.3 to the financial statements.

(12) Mr. Avshalom Buskila – As from July 1, 2023, Mr. Buskila has been serving as CEO of Bank Yahav Ltd.

Prior to said date, Mr. Buskila served as Manager, Northern Region at Bank Mizrahi Tefahot Ltd. Remuneration for 2023 includes NIS 1,199 thousand with respect to the period served as Manager, Northern Region, as follows:

Payroll amounting to NIS 435 thousand, social contributions amounting to NIS 582 thousand, share-based payment amounting to NIS 152 thousand and benefit value amounting to NIS 30 thousand.

Transactions with controlling shareholders and related parties

Pursuant to Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter: "the Amendment"), the Audit Committee of the Board of Directors has previously approved criteria for unusual and immaterial transactions, for different transaction types as set forth below, which the Committee ratified on January 20, 2025.

Transaction other than a banking transaction

Definition of "immaterial transaction":

A transaction other than a banking transaction, conducted in the normal course of business at market terms and conditions, and which meets one or more of the criteria specified by the Audit Committee, is an immaterial transaction.

Banking transaction

Definition of "unusual transaction" – a transaction other than at market conditions or not in the normal course of business or a material transaction.

A banking transaction which meets one of the criteria specified by the Audit Committee shall be deemed to be, for this matter, a "material transaction":

"Market terms" – terms which are not preferable to those at which similar transactions are made by the Bank with individuals or corporations which are not controlling shareholders of the Bank, or in transactions in which the controlling shareholder has no personal interest. Market terms with regard to banking transactions are compared to the terms of similar transactions of similar volume at the Bank, as used for review of transactions with affiliated persons in accordance with Proper Conduct of Banking Business Directive 312, with Bank customers who are not affiliated persons, or are not entities where the controlling shareholder has a personal interest in transactions with it; market conditions with regard to transactions other than banking transactions are compared to conditions of similar transactions made by the Bank with suppliers and/or with regard to offers from other suppliers reviewed prior to deciding to make the commitment. In cases where the Bank has no similar transactions, market conditions are to be compared with regard to similar transactions made in the market, provided that such transactions are made in the normal course of business and that such transactions have a market in which similar transactions are made.

Indebtedness transactions to which Proper Conduct of Banking Business Directive 312 does not apply – as for Indebtedness transactions to which Proper Conduct of Banking Business Directive 312 does not apply, should the Bank become aware of any such transaction, the Bank commits to bring any such transaction for approval pursuant to Proper Conduct of Banking Business Directive 312 and to provide disclosure of it in the Bank's annual financial statements. The definition of "immaterial transaction" and "unusual transaction" with regard to these transactions would be similar to the aforementioned definitions by the Bank.

Below is summary data with regard to banking transactions with a group of controlling shareholders (NIS in millions):

a. Indebtedness transactions

	December 31, 2024					
Group of controlling shareholders[2]	**Credit balance**	**Invest-ment in securities**	**Obligation to extend credit**	**Guarantees provided by the Bank**	**Derivatives indebted-ness**	**Total indebted-ness[1]**
Below is information about indebtedness with respect to Ofer Group:						
Controlling shareholders and/or relatives thereof	-	-	-	-	-	-
Corporations controlled by controlling shareholders and/or relatives thereof:						
OPC Energy Ltd.	-	2	100	-	-	102
O P C Holdings Israel Ltd.	-	-	32	118	-	150
Dead Sea Works Ltd.	-	-	4	-	-	4
ICL Group Ltd.	-	48	29	-	-	77
Rotem Amfert Negev Ltd.	-	-	4	-	-	4
Corporations held by controlling shareholders and/or relatives thereof with no control:						
Vayar Imaging Ltd.	-	-	55	-	-	55
Groundwork Bioage Ltd.	11	-	-	-	-	11
Total – Ofer Group	**11**	**50**	**224**	**118**	**-**	**403**
Below is information about indebtedness with respect to Wertheim Group:						
Controlling shareholders and/or relatives thereof	1	-	-	-	-	1
Corporations controlled by controlling shareholders and/or relatives thereof:						
Mash Kar Ltd.	-	-	2	-	-	2
International Beer Breweries Ltd.	4	-	-	-	-	4
Free TV Plus Ltd.	53	-	17	-	-	70
Corporations held by controlling shareholders and/or relatives thereof with no control:						
RGI Group Ltd.	43	-	-	-	-	43
Cycle Cyclic Economy for Drink Containers Ltd.	-	-	2	1	-	3
Total – Wertheim Group	**101**	**-**	**21**	**1**	**-**	**123**

(1) Indebtedness as defined in Proper Conduct of Banking Business Directive 312, after set off of allowed deductions.

(2) Information about controlling shareholders is current as of the control structure of the Bank as of December 31, 2024.

b. Indebtedness transactions – continued

	December 31, 2023					
Group of controlling shareholders[2]	**Credit**	**Investment in bonds**	**Obligation to extend credit**	**Guarantees provided by the Bank**	**Derivatives indebtedness**	**Total indebtedness[1]**
Below is information about indebtedness with respect to Ofer Group:						
Controlling shareholders and/or relatives thereof	-	-	-	-	-	-
Corporations controlled by controlling shareholders and/or relatives thereof:						
Ginergy Ltd.	-	-	3	-	-	3
OPC Energy Ltd.	-	3	100	11	-	114
O P C Holdings Israel Ltd.	101	-	26	13	-	140
ICL Group Ltd.	-	46	29	-	-	75
Corporations held by controlling shareholders and/or relatives thereof with no control:						
Groundwork Bioage Ltd.	7	-	-	-	-	7
OGY Documents Israel Ltd.	-	-	-	1	-	1
Total – Ofer Group	**108**	**49**	**158**	**25**	**-**	**340**
Below is information about indebtedness with respect to Wertheim Group:						
Controlling shareholders and/or relatives thereof	-	-	-	-	-	-
Corporations controlled by controlling shareholders and/or relatives thereof:						
Central Soft Drinks Manufacturing Company Ltd.	6	-	-	-	-	6
Mash Kar Ltd.	-	-	2	-	-	2
International Beer Breweries Ltd.	3	-	-	-	-	3
Free TV Plus Ltd.	35	-	-	-	-	35
Corporations held by controlling shareholders and/or relatives thereof with no control:						
RGI Group Ltd.	60	-	-	-	-	60
Cycle Cyclic Economy for Drink Containers Ltd.	-	-	1	2	-	3
Total – Wertheim Group	**104**	**-**	**3**	**2**	**-**	**109**

(1) Indebtedness as defined in Proper Conduct of Banking Business Directive 312, after set off of allowed deductions.
(2) Information about controlling shareholders is current as of the control structure of the Bank as of December 31, 2023.

c. Deposits

Group of controlling shareholders	Balance as of December 31, 2024	Highest balance in 2024
Below is information about deposits of Ofer Group:		
Controlling shareholders and/or relatives thereof	19	25
Corporations controlled by controlling shareholders and/or relatives thereof:		
OPC POWER VENTURES LP	16	94
ICG Energy Inc.	-	300
XT Shipping Ltd.	1	1
OPC Energy Ltd.	2	3
Avenues GT Ltd.	1	1
Israel Corporation Ltd.	354	796
INTRACAP INSURANCE Ltd., Switzerland	71	115
Corporations held by controlling shareholders and/or relatives thereof with no control:		
Vayar Imaging Ltd.	25	87
Groundwork Bioage Ltd.	4	18
Total – Ofer Group	**493**	**1,440**

Below is information about deposits of Wertheim Group:		
Controlling shareholders and/or relatives thereof	39	41
Corporations controlled by controlling shareholders and/or relatives thereof:		
Central Soft Drinks Manufacturing Company Ltd.	2	2
Mash Kar Ltd.	-	1
Country Floors Ltd.	3	3
Free TV Plus Ltd.	5	12
Keshet Holdings LP	108	108
Corporations held by controlling shareholders and/or relatives thereof with no control:		
Retail-Minds Technologies Ltd.	-	17
Cycle Cyclic Economy for Drink Containers Ltd.	27	54
Total – Wertheim Group	**184**	**238**

C. Deposits – continued

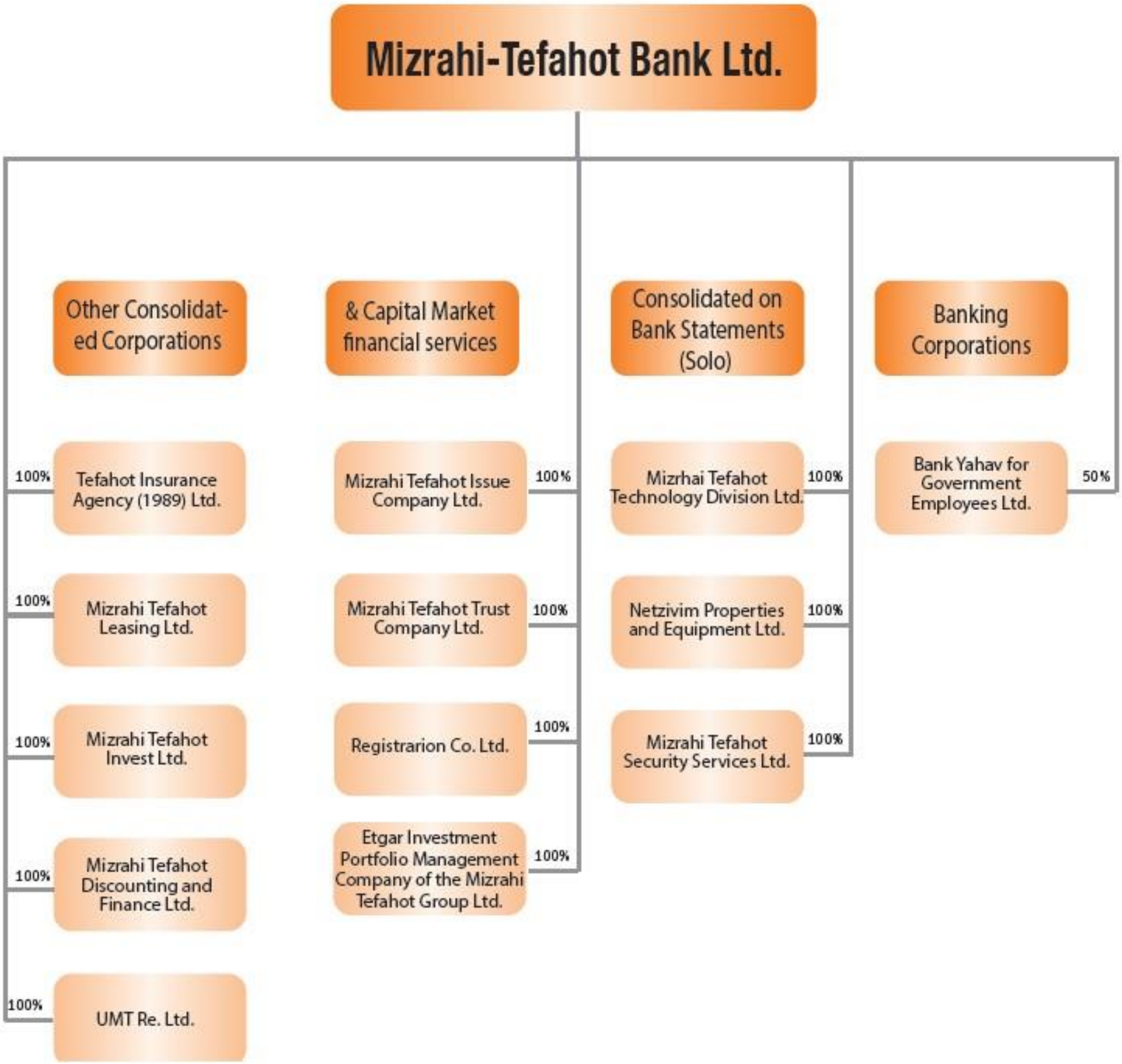
Group of controlling shareholders	Balance as of December 31, 2023	Highest balance in 2023
Below is information about deposits of Ofer Group:		
Controlling shareholders and/or relatives thereof	16	16
Corporations controlled by controlling shareholders and/or relatives thereof:		
OPC POWER VENTURES LP	3	260
ICG Energy Inc.	194	645
XT Shipping Ltd.	1	1
HL ICL Procurement (1998) Ltd.	-	82
Ginergy Ltd.	1	1
OPC Energy Ltd.	2	569
ICL Group Ltd.	-	1
Israel Corporation Ltd.	753	753
INTRACAP INSURANCE Ltd., Switzerland	71	115
Ramon International Insurance Brokers Ltd. London	-	6
Corporations held by controlling shareholders and/or relatives thereof with no control:		
Marine Education and Training Authority	1	1
Vayar Imaging Ltd.	9	9
Groundwork Bioage Ltd.	18	46
OGY Documents Israel Ltd.	8	25
Spin Prime Technologies Ltd.	-	1
Avenues GT Ltd.	-	2
Total – Ofer Group	**1,077**	**2,533**

Below is information about deposits of Wertheim Group:		
Controlling shareholders and/or relatives thereof	40	42
Corporations controlled by controlling shareholders and/or relatives thereof:		
Central Soft Drinks Manufacturing Company Ltd.	1	5
Mash Kar Ltd.	-	1
Country Floors Ltd.	3	3
Free TV Plus Ltd.	10	14
Keshet Holdings LP	71	71
Corporations held by controlling shareholders and/or relatives thereof with no control:		
RGI Group Ltd.	-	10
Quick Technologies and Investments Ltd.	16	16
Cycle Cyclic Economy for Drink Containers Ltd.	34	38
Total – Wertheim Group	**175**	**200**

To the best of the Bank's knowledge, transactions with affiliated persons were executed in the ordinary course of business, at market terms and under terms similar to those of transactions effected with unrelated entities.
On September 19, 2024, the Bank's Board of Directors approved, after approval by the Remuneration Committee, the Bank's engagement in a Board member and other officers liability insurance policy, for a term of 18 months as from October 1, 2024. Pursuant to Regulation 1B1 and pursuant to Regulations 1A1 and 1B(a)(5) of the Corporate Regulations (Relief for transactions with interested parties), 2000, and in accordance with the remuneration policy for officers.
The insurance policy covers, inter alia, the Bank President & CEO, the controlling shareholders of the Bank and relatives thereof. For more information see Immediate Report dated September 19, 2024, (reference no. 2024-01-604521).

Other information about the Bank and its management

Key holding structure of the Bank



For more information see Note 15 to the financial statements.

Controlling shareholders

The Controlling Shareholders of the Bank as of December 31, 2024 are Wertheim Group and Ofer Group.

Holdings of Wertheim Group are through M. W. Z. (Holdings) Ltd. And F&W (Registered Partnership) holding, as of December 31, 2024, 7.26% and 13.08%, respectively of capital and voting rights.

On September 9 and September 10, 2024, F&W (Registered Partnership) purchased an aggregate number of 150,000 ordinary Bank Mizrahi Tefahot shares of NIS 0.1 par value each. For further details see the Bank's publications 2024-01-602143 and 2024-01-602284, respectively.

Holdings of Ofer Group are through L.I.N (Holdings) Ltd., which holds, directly and through L.A.B.M. (Holdings) Ltd. (a wholly-owned subsidiary thereof) as of December 31, 2024 21.07% of capital and voting rights in the Bank.

On February 19, 2024, L.I.N. (Holdings) Ltd. transferred to L.A.B.M. (Holdings) Ltd. 100,000 ordinary Bank Mizrahi Tefahot shares of NIS 0.1 par value each.

On January 21, 2025, L.I.N. (Holdings) Ltd. transferred to L.A.B.M. (Holdings) Ltd. 100,000 ordinary Bank Mizrahi Tefahot shares of NIS 0.1 par value each.

Note that the aforementioned share transfer was conducted between L.I.N. (Holdings) Ltd. and a wholly-owned subsidiary thereof, and does not change the overall holding stake of L.I.N. in Bank shares.

Shareholder agreements

L.A.B.M. (Holdings) Ltd. Of Ofer Group and Feinberg-Wertheim (Registered Partnership) of Wertheim Group are party to a cooperation agreement for exercising rights associated with Bank shares, dated October 6, 1994 (hereinafter: ("voting agreement"). The aforementioned voting agreement sets forth, inter alia, rules for joint voting of controlling shareholders at General Meetings, for each party's right of refusal upon sale of controlling shares by the other parties, for rights to appoint Board members and rights to appoint the Chairman of the Board of Directors.

Fixed assets and installations

The amortized cost of buildings and real estate for the Bank Group (including installations and leasehold improvements), as of December 31, 2024 amounts to NIS 853 million, compared to NIS 659 million at the end of 2023.

In conformity with the resolution by the Bank's Board of Directors to relocate all units of Bank management to a single central site in Lod, in 2019 a project was approved for construction of the campus. In 2023, the project scope expansion was approved, as well as refurbishment and construction of additional buildings. As of the end of 2024, the revised project budget amounts to NIS 0.7 billion.

In 2024, skeleton construction work ended and finishing work commenced, which will continued in 2025. Project completion and relocation of the units are expected to take place at the end of 2025. Furthermore, at the end of 2024, the development, training and learning center was moved to the ground floor of the new building.

Other than the foregoing, in 2025, no unusual investments are expected in fixed assets and in plant (buildings, land, equipment, furniture and automobiles).

For more information about fixed assets for the Group, see Note 16 "Buildings and equipment" on the financial statements.

This information constitutes forward-looking information, based inter alia on various assumptions and forecasts with regard to the state of the economy, legislation, directives of supervisory entities, technological developments, developments in the real estate and construction market and human resource issues. This information may not materialize, or materialize in part, to the extent and on dates to be determined by Bank management or due to changes that could occur in various influencing factors that are not under sole control of the Bank.

For more information about investments and expenses with respect to IT, see chapter "Analysis of composition of assets, liabilities, capital and capital adequacy below.

Intangible assets

The Bank Group has registered databases of customers, employees and suppliers. The Bank also owns the rights to the trademarks "Mizrahi-Tefahot", including with the infinity symbol and other trademarks including the infinity symbol together with the words "Tefahot – No. 1 in Mortgages", "Mizrahi Bank" with the image of the sun and variations of these trademarks. The Bank owns the rights to trademarks associated with the Bank's name in the USA, Canada, Switzerland and in the European Union as well.

The Bank has acted extensively to develop its technological capabilities, in response to evolution of its business and in order to achieve the strategic plan.

The balance of discounted software development cost is included on the financial statements under "Buildings and equipment".

For more information about treatment of software development costs on the financial statements, including their useful life, see Note 1 to the financial statements.

For more information about investments and expenses with respect to IT, see chapter "Explanation and analysis of results and business standing" of the Report of the Board of Directors and Management.

Human Resources

Bank organizational structure

The Bank organizational structure is intended to support achievement of Bank objectives and realization of its business plan. The organizational structure is based on divisions and other departments, reporting to the Bank President & CEO (except for the Internal Audit Division, which reports to the Chairman of the Board of Directors).

The current organizational structure of the Bank is as follows:

Retail Division – This division consolidates most of the banking activity of private customers and small business customers. Division operations include: The retail sector, primarily responsible for operations of the Household segment and of the Small Business segment; and the mortgage sector, responsible for mortgage operations. Bank branches and business centers operate under this division in six geographic regions and the LIVE sector, which is operates by personal bankers via a range of communication channels (Internet, telephone, SMS, WhatsApp, fax and video chat) and call centers which serve the Bank's customers in a range of areas, including commercial banking, mortgages and investments. The division also includes the departments which provide financial and retirement advisory services offered to customers and operations of private banking, foreign residents and new immigrants. The Division is also responsible for the subsidiary, Etgar Investment Portfolio Management Company of the Mizrahi Tefahot Group Ltd. It is also responsible for the subsidiary Mizrahi Tefahot Leasing, involved in financial leasing and car loans, and for the subsidiary Mizrahi Tefahot Discounting and Finance Ltd., which offers credit card vouchers discounting services.

Business Banking Division – this division consolidates most of the banking activity of the large corporations and of business customers. This division includes the corporate sector, in charge of operations of the business banking segment, and the business sector, in charge of operations of the commercial banking segment, operating four geographically-distributed business centers. The division also includes other units providing specialized services for customers in specific sectors: Construction and real estate sector, foreign trade sector, which includes the diamonds business center, and the Group's overseas and syndication activity. The division also includes a special customers sector, which deals with settlement and collection of troubled debt across the Bank.

Finance Division – The division includes the financial management sector – which is responsible for management of the Bank's financial assets and liabilities – and the trading sector, which operates an integrated trading room active in all financial markets, in trading currencies, interest rates and Israeli and overseas securities, Mizrahi Tefahot Invest which is responsible for real investments, the Information & Customer Service Sector which supports all financial market operations, providing Back Office services and provident fund operations, as well as the Financial Institution and Investor Relations sector. This division is also in charge of the capital market subsidiary, Mizrahi Tefahot Trust Company Ltd.

Technology Division – This division is a wholly-owned subsidiary of the Bank, in charge of information technology, including pursuant to requirements of Proper Conduct of Banking Business Directive 357.

Risks Management Division – this division includes the various risks management departments at the Bank (including: market, interest, liquidity, credit and derivatives risk), which also manages the operational risk at the Bank. This division is in charge of information security issues. The Division includes the Bank's Chief Compliance Officer as well as the Analysis Department, tasked with formulating independent recommendations with regard to extending credit as well as opinions with regard to associated risk. As from February 1, 2024, the Risks Control Division was renamed the Risks Management Division.

Human Capital and Resources Division – this division includes management of human resources, training, logistics (including properties, construction and procurement) as well as security (including the cash and courier center), community outreach and corporate social responsibility.

Marketing, Advertising and Corporate Development Division – This division consolidates activities relating to advertising, marketing, responsibility for management of the customer experience, including setting service-related policy. The division is also tasked with business management and development of data resources at the Bank.

Financial Information and Reporting Division – in charge of preparing the Bank's public financial statements, reporting to statutory authorities and to management, taxation, main ledger, accounting, treasury and payroll department. The Division is also responsible for credit classification and for determining the provision for credit losses, as well as for challenging the discovery and reporting processes of problematic debt. This division is also in charge of supervision and control over Bank budget, control over subsidiaries, measuring profitability of branches and monitoring Bank work plans.

Legal Division – this division is responsible for providing legal services for all of the Bank's units, for creating the legal infrastructure for the Bank's activities, for management of exposure to legal risk and to handle claims against the Bank, as well as being responsible for Bank insurance (including banking insurance and Board member and officer liability insurance).

Internal Audit Division – the division is responsible for conducting internal audits of Bank business and operating units. The division is also responsible for handling the public inquiries and complaints against the Bank.

Banking Operation Sector – responsible *inter alia* for back-office operations, engineering and banking processes, clearing house and mortgage insurance agency. The Banking Operations function was set up on April 1, 2023.

Enterprise-Wide Projects Sector – responsible *inter alia* for the Bank's digital operations, further implementation and deployment of the new CRM system and collaboration with FinTech companies. The enterprise-wide projects function was set up on April 1, 2023.

Human Resource Division Policy

Bank management regards all Bank employees and managers as a key component for achieving its business strategy and business growth targets. This commitment is reflected by implementation of three key principles in Bank operations:

- Creating a respectful work environment – The Bank regards its employees and managers as partners in the Bank's success and therefore strives to promote them and to create a supportive work environment.
- Caring for employee rights – The Bank ensures the rights of all employees, as well as their right to join a labor union. The Bank offers its employees better working conditions than required by labor laws.
- Caring for employees' welfare – Employees' welfare is managed as follows: Creating welfare support for Bank employees and their families, an extensive health care plan for employees, an organizational culture which supports recognition and allows for optional leisure activities – based on the understanding that such balance generates value for both the employee and the Bank.

The Bank regularly promotes equal opportunity in the workplace. This is based on recognizing the ultimate importance of the value of equality. The Bank does not discriminate against any employee by religion, ethnicity, race, gender nor any other attributes.

Staff – general information

Provided below is information on the number of employees whose pay was reported under "Payroll and associated expenses", in terms of full-time positions (including impact of overtime) in the Bank and in subsidiaries. The number of Bank employees provided below also includes employees who are not employed by the Bank but by companies related to the Bank, including employees of Mizrahi-Tefahot Technology Division Ltd. and Mizrahi-Tefahot Security Services Ltd. – service companies wholly-owned and controlled by the Bank, that provide computerization, security and protection services to the Bank:

	2024				
		Branches	Total	Subsidiaries Subsidiaries	Total
	In the bank	Overseas	The Bank	In Israel	The Group
Number of full-time equivalent positions as of December 31, 2024	6,087	108	6,195	1,016	7,211
Number of full-time employees based on monthly average	6,052	108	6,160	1,014	7,174

	2023				
		Branches	Total	Subsidiaries Subsidiaries	Total
	In the bank	Overseas	The Bank	In Israel	The Group
Number of full-time equivalent positions as of December 31, 2023	6,007	105	6,112	994	7,106
Number of full-time employees based on monthly average	6,039	98	6,137	1,011	7,148

Below is the distribution of number of positions in the Group by operating segments(1)(2):

	As of December 31	
Operating segment	**2024**	**2023**
Households	4,302	4,210
Private banking	73	65
Small businesses	1,368	1,345
Commercial banking	340	349
Business banking	857	869
Financial management	271	268
Total	**7,211**	**7,106**

(1) Composition is by operating segments based on management approach. For more information see Note 29 to the financial statements.
(2) Including Head Office employees that are allocated pro-rata to the various segments.

Cost of salary per employee position

	2024		2023	
	Excluding variable remuneration components	Including variable remuneration components	Excluding variable remuneration components	Including variable remuneration components
Salary per employee position	269	318	297	356
Cost of salary per employee position	408	473	425	493

Human resource management

Bank management regards all Bank employees and managers as a significant component for achieving its business strategy and growth objectives for operations and profitability. Human resources at the Bank are managed on two levels:

- Caring for the individual includes: recruitment, on-boarding and during the employee's service life time, through retirement.
- Human resources are developed during regular work, through individual and group training and development processes.

Bank management sees great importance in development its staff and believes in constant improvement of the professional and personal skills of Bank employees and managers, while offering options for professional and personal promotion. The Bank aims to provide its employees with learning and development experiences, which allow them to keep up-to-date in the ever-changing work environment and implement the Bank's business strategy; this is done through training activities throughout the employee's time with the organization, from starting in their new role, through training, mentoring and promotion tracks, completing and expanding academic education and enrichment through external seminars.

The Bank's Training Development and Learning Center is a strategic partner for cross-organization processes with regard to change management, deployment and training. The training program includes courses, workshops and extra-curricular courses for employees and managers. Each Bank employee (at branch or headquarters), including part-time employees, have a designated training track assigned to them, including training that is relevant for their job. Learning is done using a "hybrid" method, which includes a combination of remote online learning, in-person learning and digital self-learning.

The Training Development and Learning Center continues to deploy the "Learning organization" concept – whereby managers and employees regard learning as an on-going task carried out at their workstation as well. Unit managers, jointly with and assisted by the Training Development and Learning Center, lead organizational change and are responsible for employees' professional skills through mentoring and training.

Training Development and Learning Center acts to develop Bank managers through managerial training, offered to them throughout their term in office, as well as management cadre tracks in preparation for their next managerial roles. In 2024, management training was delivered through: Managerial gyms, training and simulation, online presentations and podcasts. The Organizational Development and Training Division is applying diverse measures to develop intra-organizational communication channels. As well as conducting evaluation and feedback processes, with each employee given personal feedback for their performance over the past year, as well as development targets for the coming year.

In 2024, the expenses of the Training Development and Learning Center amounted to NIS 8 million, similar to 2023.

In 2024, all Group employees attended training (in-person and online), for a total of 55,901 training days, compared to 40,452 training days in 2023. The increase is due to the resumption of routine training activities and covering training sessions, which did not take place in 2023 due to the war.

For more information about human resource management, see also the 2024 Corporate Governance Report on the Bank website:

www.mizrahi-tefahot.co.il >> about the bank >> investor relations

Collective labor relations

The labor relations in the Bank are collective (except for a limited group of senior employees), which are expressed in two employee organizations:

A. **The Association of Bank Mizrahi-Tefahot Employees Ltd.** is a long-standing organization, which was authorized, by virtue of an inter-organization agreement signed by the Association and the HaPoel HaMizrahi Union, by that Union to act as the representative organization of Bank employees for the purpose of signing collective bargaining agreements and of representing Bank employees (hereinafter: ("Employees' Association").

B. **The Association of Managers and Authorized Signatories at Bank Mizrahi-Tefahot Ltd.** was founded by branch- and department managers in 2005 (hereinafter: ("Manager Council"). This organization has been recognized by the Bank and by the Employees' Association as a "bargaining unit" for negotiation and signing agreements.

C. **Bank Mizrahi Tefahot Ltd. Technology Division Employees' Committee** – the organization authorized to sign, together with the MAOF trade union, on behalf of Bank Mizrahi Tefahot Ltd. Technology Division employees (a subsidiary wholly owned and controlled by the Bank), any collective bargaining agreements applicable to company employees (except for Technology Division employees employed under individual employment contracts).

D. **Bank Yahav** – Bank Yahav employee representatives empowered to sign on behalf of Bank Yahav employees any collective bargaining agreements applicable to Bank Yahav employees.

Employment terms of employees represented by the Bank's Employees' Union

Overview

The employment terms are anchored in a series of collective agreements, together called "labor constitution". The labor constitution presents the general framework of the undertaking between the employees and the Bank, and arranges the basic employment terms. In addition, wage agreements are signed from time to time, within the framework of the constitution.

Collective bargaining agreement

On June 26, 2023, the Bank and Mizrahi Tefahot Employee Union signed a special collective bargaining agreement for 2022-2026. For details see Note 22 to the financial statements.

Employment terms for employees represented by the Council of Managers and Authorized Signatories

Overview – Wage Agreements

On July 22, 2024, a special collective bargaining agreement was signed between the Bank and the Bank's executives and authorized signatories organization (hereinafter – "the Executives Organization") regarding pay and working conditions for 2023-2027 after it had been approved by the bank's certified organs, and while it had been agreed within its framework, that most of its terms in the matter of salary, advancement and end of employment would continue to apply in 2028 as well. For details see Note 22 to the financial statements.

Individual employment contracts

The labor agreements signed by the Bank in the years 1995, 1998, 2003, 2006, 2018 and 2023, stipulated that the Bank will be permitted to enter into individual employment contracts with senior employees, as defined in the agreements, as well as several individual employment contracts with certain officers. Some of the senior employees employed under individual employment contracts are eligible, in the event of termination by the Bank, to severance bonuses based on their period of service with the Bank, in addition to other amounts and benefits accrued to their credit in various funds. The financial statements include a provision for the severance bonuses accrued through the balance sheet date. See Note 22 to the financial statements for additional information.

Employment terms of employees of Mizrahi-Tefahot Technology Division Ltd.

Employment terms of employees of Mizrahi Tefahot Technology Division Ltd. (hereinafter: "the Technology Division" or "the Company") are arranged in the labor constitution that was signed in 1989 and in a series of agreements signed by the Technology Division Employees' Council, the Labor Union and the Technology Division over the years.

In June 2023, the Bank and the Labor Union signed an agreement. Due to existing collective bargaining agreements and the current linkage provisions for Technology Division employees, company management and the union of company employees started negotiating the implementation of the agreement signed at the Bank, *mutatis mutandis*, including the issue of Division relocation to the Bank campus in Lod.

Labor and payroll agreements at Bank Yahav

On June 29, 2023, Bank Yahav signed a new collective bargaining agreement with employee representation which governs labor and remuneration at Bank Yahav for 2023-2027.

Union Bank employee onboarding agreements

On March 30, 2023, two agreements were signed that govern matters of onboarding and assignment of regular employees and trainees at the former Union Bank, their onboarding conditions, principles for pay conversion, bonuses, insurance coverage, pension rights, representations of the Associations and provisions for transition and performance. The parties to the agreement are Mizrahi Tefahot Employees' Association and Managers' Association (one agreement with the Employees' Association at the Bank; and another – with the Manager's Association at the Bank), the Labor Union, the Association of Former Union Bank Employees and the Association of Former Union Bank Managers and Authorized Signatories.

Significant Agreements

a. Employment agreements signed with the Employees' Council, the Manager and Authorized Signatory Association and the Technology Division Employees' Committee and the former Union Bank Employees' Committee. For more information see chapter "Human Resources" above.

b. Amended letter of waiver and commitment to indemnification by the Bank. For more information see Note 26.C. 3-8) to the financial statements.

c. Agreements for co-issuing debit cards with the following: ICC Ltd., Diners Club Israel Ltd. (hereinafter: "ICC Group"), Isracard Ltd. and/or Europay (Eurocard) Israel Ltd., Poalim Express Ltd. of Isracard Group and Leumi Card Ltd. For more information see Note 26.C.13 to the financial statements.

d. Agreement between the Government of Israel and the Bank, for provision of loans from bank sources to eligible Ministry of Construction and Housing recipients and framework agreement between the Government of Israel and the Bank with regard to provision of loans to eligible recipients from State funds. For more information see chapter "Household segment" above.

Legislation and supervisory directives applicable to Bank Group operations

Laws and regulations

Special Payment for the Achievement of Budgetary Goals Law (Temporary Order – Iron Swords), 2024

In March 2024, the Knesset General Assembly approved the "Special Payment to Achieve Budget Targets Law (Interim Directive – Iron Swords"), 2024, whereby a special payment will be imposed on Israeli banks at a rate of 6% of their profits from activity in Israel (as defined in the VAT Law) in the period between April 1, 2024 and December 31, 2025. This payment would not be tax deductible. Exempt from this payment are banking groups with total assets on their balance sheet lower than 5% of total assets of banks in Israel. However, the legislation stipulates that total payment on aggregate for all banks in Israel would be capped at NIS 1.2 billion in 2024 and at NIS 1.3 billion in 2025, divided among the banks pro rata to their pre-tax earnings in these periods.

In accordance with the law, 75% of the tax rate will apply in 2024, across the entire year. The provision to taxes on income in these Financial Statements includes the impact of the law in question.

In March 2024 the Knesset General Assembly ratified the order that sets the VAT rate increase from 17% to 18% starting January 1, 2025. However, a bank who is subject to the payment of 6% on the profit in 2025 as noted above, shall pay 17% of the salary paid and of the profit produced that year. To be clear, the increase in payroll tax and capital gains tax to 18% will come into effect from the date on which the bank will no longer be committed to the additional payment of 6% as noted. The impact of the amendment on the Financial Statements is not expected to be material.

The Joint Investments in Trust Law (31st Amendment), 2024

On October 2024, an amendment to the Joint Investments in Trust Law, 2024 came into effect, in the matter of monetary funds on fixed dates as well as indirect amendments t the Occupation in Investment Consulting and Investment Portfolio Management Regulation Law, 1995, and in the Securities Law, 1968.

The amendment to the law seeks to make the monetary funds more accessible to the public, and to launch new monetary funds in Israel as part of the "money market". The law establishes rules that will be adapted to the characteristics of the monetary funds, in such a manner that will allow the development of new monetary funds with characteristics more similar to the characteristics of the bank deposits (low risk fund pre-assessed yield and set dates); these funds will allow for a solid and transparent investment in relation to the estimated expected return. In addition, in the indirect amendment made to the Investment Consulting Occupation Regulation Law, options for the brokerage of monetary funds to the pubic for any monetary fund the fixed redemption date of which is up to one year, not just by an investment consultant or investment marketer; this expanded the brokerage option of those funds. In addition, the remuneration model was adapted for the brokers of mutual funds in general and monetary funds in particular. The amendment seeks to develop the competition in the field of money market, and the make those funds accessible to all members of the public regardless of the investment amount and the investor's bargaining capabilities.

Alongside the amendment to the law the Israel Securities Authority and the Stock Exchange published their guidance, which assists in regulating the activity of the existing monetary funds and the launching the new monetary funds; this guidance clarifies, among other things, the manner of operation and implementation required from the Bank.

The Bank is preparing for implementation of the amendment to the law. Implementation of the amendment is not expected to have a material impact on the Bank's Financial Statements.

The Banking Law (Licensing) (Amendment No. 32), 2024

The amendment to the law, which deals with an application to close branchesת was published on July 5, 2024. According to the amendment, the decision regarding an application to close a permanent branch will be made after consultation with the Licensing Committee. The Supervisor of Bank will refuse an application only after the banking corporation was given the opportunity to make its arguments. A written decision supported by explanations will be issued within 90 days from the application's receipt date.

Privacy Protection Law (Amendment No. 13), 2024

On August 14, 2024, the amendment to the law was published, which will come into force a year after its publication (August 14, 2025). The amendment reflects the technological development that took place over the past few years and accordingly revises many of the definitions. The requirement to register the databases was reduced, the requirement to be transparent in dealings with data subjects was expanded, and a mandatory requirement to appointment of a privacy officer was set. The core element of the amendment is the expansion of the enforcement powers of the Israel Privacy Protection Authority, and the increase in severity of the criminal and administrative sanctions, the expansion of the grounds to receive compensation without proving damage, the applicability of administrative sanctions and penalties, and the expansion of the list of criminal offenses.

Supervisor of Banks

Circulars and public reporting directives

Emphasis for the banking system due to the war

On October 12, 2023, the Supervisor of Banks issued a circular regarding emphasis for the banking system due to the war. In this publication, the Supervisor of Banks noted that the system should strive to continue providing professional services that are appropriate and continuous to its customers, and to manage all of the operational and financial risks specific to this period. Based on these targets, the banking system should comply with the following: Board discussions, relief and assistance to customers in meeting obligations, with emphasis on residents of areas under a state of emergency, IDF soldiers currently called up for service and their families, as well as small businesses that have closed or that operate in reduced capacity due to the current situation. Moreover, the banking system is required to increase monitoring of all risk, with regard to diverse aspects including those of capital, liquidity and credit, including adjustment to policy and models for even stricter stress scenarios, and review of the required liquidity level. Furthermore, review is required of appropriateness of risk management measures and tools, while bolstering the control, management and audit mechanisms in all key operations of the bank and credit card issuer. Moreover, the Supervisor of Banks has partially activated the reporting requirements under special circumstances, which help the Supervisor of Banks in analyzing the situation, making appropriate decisions and providing a response to public inquiries. The Supervisor of Banks also indicated that the banking system should prepare for increased attempts and cyber attacks against the system.

Throughout the war, the Bank of Israel issued supervisory emphasis regarding handling of debt and public reporting. The key emphasis is as follows:

- Division into two circles. The first circle includes the following customer group: Those residing up to 30 kilometers from the Gaza Strip, those evacuated from their homes by an official entity, as of the issue date of this outline, those who are immediate relatives of those killed, kidnapped or missing in this war and those called up for reserve military duty and those called up under Directive 8. The second circle includes all other bank customers. On December 26, 2023 an update was made to the population of the first group so that it would include the accounts of those kidnapped or missing, accounts of siblings of those kidnapped or missing and accounts of those who took part at the NOVA party in Re'im. On April 24, 2024, adjustments were made to the first group population.
- For borrowers affected by the war, the Supervisor of Banks encourages banking corporations to act so as to allow flexibility in loan repayment for such borrowers.

- Debt in arrears – debt with no payments in arrears upon the outbreak of this war shall not be reported as debt in arrears if payments are not in arrears pursuant to revised terms and conditions of such debt. Otherwise, the status of arrears should be reset to what it was at the outbreak of this war and should be frozen for the duration of payment deferment.
- Problematic debts and accounting write-offs – the banking corporation should exercise discretion when classifying debt as problematic.
- Public disclosure – the banking corporation should provide disclosure for borrower debt affected by the war and subject to revised repayment arrangements, as noted above.
- Provision for credit losses – inclusion of the anticipated impact of Operation Swords of Iron as of soon before publication of the financial statements, should the Bank have additional information about further anticipated impact of the war. The estimated provision would be adjusted for such additional information.
- Disclosure on the Report of the Board of Directors and Management – this should reflect the major effects of the war on the Bank with regard to results and risks.
- Credit risk disclosure on the Report of the Board of Directors and Management – this disclosure shall include material developments in credit risk by operating segment and by economic segment, highlighting sectors subject to increased risk due to the war.
- On December 26, 2023, the Bank of Israel issued an expansion of the outline for assisting customers of banks and of credit card issuers, *inter alia:* Extending the validity of the current outline by a further three months, through March 31, 2024, for two demographics in first group and in the second group, and referring to the deferral of payments of consumer and business loans:
- Customers who had not deferred payments pursuant to the outline would be entitled to defer payments for three months, subject to filing an application.
- Customers who had already deferred payments for three months would be entitled to defer payments for a further three months, subject to filing an application, for a total maximum deferment period of six months.
- On April 24, 2024 the Bank of Israel published an additional extension of 3 months to the outline, to June 30, 2024.
- On September 19, 2024, the Bank of Israel published a further (and fifth) 3-month extension to the outline to the end of December 2024, which made adjustments to the first group population.
- On January 14, 2025 the Bank of Israel published an additional (sixth) extension and expansion of 3 months to the relief outline, to the end of March 2025, which made adjustments to the first population group and created a dedicated outline for owners of businesses operating in the north.

On November 12, 2023, the Bank of Israel sent a letter to banking corporations regarding capital planning and dividend distribution policy, requesting them to review their dividend distribution policy and share buy-back in the coming period, and to advise the Supervisor of Banks of the outcome of such review.

Adjustments to Proper Conduct of Banking Business Directives for addressing the war (Interim Directive)

Due to the war started on October 7, 2023 and its implications for the Israeli economy, and in order to assist the banking system and its customers to address this challenging situation, the Supervisor of Banks issued a range of relief measures included in this interim directive.

Proper Conduct of Business Banking Directive 251 – the adjustments to this directive are designed to allow banks and credit card companies the business flexibility required at this time, in order to provide relief to customers affected by the state of war. This interim directive shall be revised from time to time as required. The steps taken include adjustments to addressing public complaints, management of credit facilities in checking accounts, adjustments regarding E-banking due to the many customers called up for reserve military service or required to evacuate their homes, extension of the period allowed for providing financial data and currency of financial reports, relief in conducting rotations and contiguous time off, extension of dates in procedures for extending residential mortgages, relief on limitations on extending residential mortgages, management of AML and terror financing risk and so forth.

On December 20, 2023, the Supervisor of Banks issued relief with regard to the leverage ration (Proper Conduct of Banking Business Directive 218), such that relief provided in Interim Directive 250 was included in Directive 218 and was extended through December 31, 2025.

Proper Conduct of Banking Business Directive 203 regarding "Measurement and capital adequacy – standard approach – credit risk" – it has been clarified that increase in LTV above 80% for loans designated for land purchase for development or construction, due to interest accrued through December 31, 2023 due to any grace period granted after October 7, 2023 would not be accounted for in the LTV calculation.

On February 4, 2024 some of the reliefs in Provision 251 were extended to March 31, 2024, with the exception of a continuous vacation in effect until April 30, 2024.

On June 30, 2024 most of the reliefs in Provision 251 were not extended, with the exception of the reliefs on the subject of restrictions on issuing residential mortgages (Provision 329), some of the reliefs given on the subject of money laundering and terror financing prohibition risks (Provision 411) and reliefs in the matter of simplifying agreements for customers (Provisions 449_ and in the Banking Rules (Customer Service), full disclosure and delivering documents. The provisions and amendments will be in effect until December 31, 2024.

On October 30, 2024, the Bank of Israel published a circular, which updates Provision 251 and seeks to extend the period set in Provision 311 regarding management of credit risk, in which a report shall be deemed to be up-to-date.

On December 30, 2024, the Bank of Israel published a circular, which updates Directive 251 and seeks to extend - by further six months - the period set in Directive 311 regarding management of credit risk, in which a report shall be deemed to be up-to-date; the circular also terminates the reliefs provided under the Appendix to Directive 411.

The Bank is implementing the directives. Application of this directive has no material impact on the Bank's financial statements.

Publication of Interest Rates on Deposits and on Account Credit Balances

On May 20, 2024, the Supervisor of Banks issued a circular establishing Proper Conduct of Banking Business Directive 447, which establishes rules and a uniform structure for the presentation of information on interest rates on deposits and on credit balances in the account. In accordance with the directive, banks will present in a single publication the interest rates in the accepted types of deposits, as set in the directive, and in addition will present the interest rates in other types of deposits they offer. The directive establishes an obligation to offer customers a search mechanism that will allow them to receive focused information on the types of deposits offered.

The directive comes into effect April 1, 2025. The Bank is preparing to implement the directive. Application of the directive is not expected to have any material impact on the Bank's financial statements.

Capital Measurement and Adequacy – Operational Risk

On June 19, 2024, the Bank Supervisor published a circular that updates Proper Bank Management Directive 206, on calculating operating risk in accordance with the terms of the Basel Agreement from December 2017.

The amendments to the directive come into effect on January 1, 2026. The banks must gather loss data for 2024-2025 as close as possible to the manner required by the directive. The Bank is preparing to implement the directive. Application of the directive is not expected to have any material impact on the Bank's financial statements.

Principles for the Effective Management of Climate-Related Financial Risks

On June 17, 2024, the Bank Supervisor published an update to Proper Bank Management Directive 345 concerning guidelines for the effective management of climate-related financial risks. In accordance with the circular, it was decided to defer the start date of the directive. The directive will come into effect starting June 12, 2026 (in lieu of the original date, June 12, 2025).

Model risk management

On August 21, 2024, the Supervisor of Banks issued a circular establishing Proper Conduct of Banking Business Directive 369 regarding model risk management. The directive describes the key aspects of effective management of model risks; it supersedes the letter issued by the Supervisor of Banks on the subject of October 17, 2010.

The directive will come into effect a year after its publication date, and its includes guidance as to the inventory of existing models and their validation. The Bank is preparing to implement the directive. Application of the directive is not expected to have any material impact on the Bank's financial statements.

Banking Rules (Customer Service) (Fees)

On July 31, 2024, the Supervisor of Banks issued a circular, which includes explanatory notes to revisions to the banking rules. Among other things, the circular revised the definition of a “small business” and the structure of several fees.

The revisions to the fees rules will come into effect 6 months from the date on which the amendment is published in the official gazette. The Bank is preparing to implement the directive. Application of this directive has no material impact on the Bank's financial statements.

Management of IT, information security and cyber defense risks

On November 18, 2024, the Supervisor of Banks issued a circular promulgating a new Proper Conduct of Banking Business Directive (No. 364) regarding IT, information security and cyber defense risks. The purpose of the Directive is proper and effective management of IT, while minimizing the incidents in which technological risks materialize and the confidentiality, integrity or availability of information assets is compromised. The Directive serves as a uniform basis for the management of all technological risks in accordance with the banking corporation's individual exposure to threats. As from the Directive's effective date, the Supervisor of Banks will cancel Proper Conduct of Banking Business Directive 357 - Information Technology Management, Proper Conduct of Banking Business Directive 361 - Cyber Defense Management, and Proper Conduct of Banking Business Directive 363 - Supply Chain Cyber Risk Management, and its letters to the Banks regarding management of IT assets and management of key IT processes. The Directive will come to effect 18 months after its publication date.

The Bank is preparing to implement the directive. Application of the directive is not expected to have any material impact on the Bank's financial statements.

Bank's credit rating

On August 5, 2024, Midroog Ltd. (created in partnership with Moody's International, which owns a 51% equity stake) (hereinafter: "Midroog") left the Bank ratings unchanged. Long-term deposits and senior debt of the Bank are rated Aaa.il / Stable outlook.

Contingent subordinated notes with contractual loss-absorption provisions (CoCo), which qualify as Tier II equity in conformity with provisions of Basel III, are rated Aa3.il (hyb) with a stable outlook.

On October 9, 2024, S&P GLOBAL RATINGS MAALOT LTD (hereinafter: "Maalot") approved the Bank's issuer rating of ilAAA/Negative Outlook.

contingent subordinated notes with contractual loss-absorption provisions (CoCo), which qualify as Tier II equity in conformity with provisions of Basel III, are rated ilAA- by Maalot.

In recent months all three international rating agencies downgraded the State of Israel's credit rating, which, in turn, led to the downgrading of the Bank's credit rating:

On October 9, 2024, rating agency S&P Global Ratings (hereinafter: "S&P") downgraded the long-term issuer credit rating from A- to BBB+. The agency ratified the Bank's short-term issuer credit rating of A-2. Negative rating outlook. In addition, the agency rated the contingent subordinated notes with loss-absorption provisions which qualify as Tier II equity, at BBB-. This series was issued by the Bank on April 7, 2021 by international private placement to institutional investors.

On November 13, 2024, the rating agency Fitch Ratings (hereinafter - "Fitch") affirmed the Bank's Long-Term Issuer Default Rating (IDR) at A- with a negative outlook and Short Term IDR at F1, with a negative outlook. The rating of the CoCo notes, which include a loss absorption mechanism is BBB.

On October 1, 2024, Moody's rating agency (hereinafter: "Moody's") downgraded the Bank's long-term deposit rating from A3 to Baa1. Negative rating outlook. The agency ratified the Bank's short-term deposit rating of P-2.

The current rating of the State of Israel is as follows:

S&P rates the State of Israel at a rating of A (Negative Outlook).

Fitch rates the State of Israel at a rating of A (Negative Outlook).

Moody's rates the State of Israel at a rating of Baa1 (Negative Outlook).

For more information about the impact of the lowering of the State of Israel's credit rating, see Note 25 to the Financial Statements.

Operating segments – Additional information

According to the public reporting directives regarding supervisory operating segments, the Bank is required to provide, on its financial statements, disclosure with regard to supervisory operating segments in conformity with a uniform, comparable layout specified by the Supervisor of Banks; attribution to supervisory operating segments is typically determined by the turnover volume for customers (annual sales or annual revenues).

The disclosure outline for supervisory operating segments includes the following segments: Individuals, micro and small businesses, medium businesses, large businesses, institutional entities and financial management. The Bank's overseas operations should be presented separately.

Supervisory operating segments

Supervisory operating segments include operating segments for individuals and operating segments for business customers other than individuals (including institutional investors and financial management of the Bank).

Individuals are defined as persons with no indebtedness to the Bank or whose indebtedness is classified as indebtedness of "individuals – residential mortgages and others", in conformity with definitions of credit risk classification by economic sector.

Below is brief description of supervisory operating segments:

Households – individuals, other than private banking customers, as noted below.

Private banking – individuals who manage a financial asset portfolio in excess of NIS 3 million.

Small and micro businesses – businesses with turnover amounting up to NIS 50 million.

Medium businesses – businesses with turnover higher than NIS 50 million and lower than NIS 250 million.

Large businesses – businesses with turnover higher than NIS 250 million.

Institutional investors – the segment primarily includes provident funds, pension funds, study funds, mutual funds, ETFs, insurance companies and stock exchange members who manage customer portfolios, as defined by the Supervisor of Banks.

Financial management – includes trading operations, asset and liability management and non-banking investments.

Overseas operations – the aforementioned operating segments are divided into operations in Israel and operations overseas; operations overseas are presented separately and are divided into operations of individuals and business operations only.

The financial information on the Report of the Board of Directors and Management is included based on definitions of supervisory segments.

In addition, the financial statements include – in Note 29 to the financial statements – disclosure with regard to "Operating segments in conformity with the management approach".

An operating segment in conformity with the management approach is a Bank component with operations which may derive revenues and incur expenses which meet the following criteria:

- Its operating results are regularly reviewed for the purpose of decision making about resource allocation and for performance evaluation.
- Separate financial information is available for it.

In fact, the supervisory operating segments and "Operating segments in conformity with the management approach" are correlated. However, there are some differences in customer attribution to segments and in how decisions are made. Therefore, at this stage, the financial statements also include reporting of operating results in conformity with "the management approach", as noted above.

A summary of these differences are as follows:

- The Bank's operating segment using the "management approach" are based on customer assignment to the responsible organizational unit in the elapsed period. However, customer attribution to supervisory operating segments is based on uniform definitions specified by the Supervisor of Banks, as noted above.
- The attributes specified by management for customer assignment to the responsible division are highly correlated with supervisory definitions.
- However, in some cases it may be that by the "management approach", the final assignment of the customer is based on other parameters, such as: specialization of a certain unit in activity types of customers or past experience working with the customer, which result in business and service-related advantages to customer attribution to the specific division or being part of the same borrower group.

- Other differences are reflected in the Bank's definition of Private Banking, how institutional investors are handled, business operations attributed to the Financial Management Division and other differences arising from the aforementioned definitions.
- The difference in definitions is reflected in particular in these segments:
  - Individual customers with a financial asset portfolio at the Bank of less than NIS 3 million, classified to the private banking segment in the disclosure about operating segments in conformity with the management approach, were classified to the household segment in the disclosure about supervisory operating segments.
  - Micro and small businesses, classified to the private banking segment in the disclosure about operating segments in conformity with the management approach, based on their attribution to the organizational unit in charge, were classified to the business segment in the disclosure about supervisory operating segments, in conformity with the aforementioned definitions.
  - Business customers, classified to the business segment or to the commercial segment in the disclosure about operating segments in conformity with the management approach, based on their attribution to the organizational unit in charge, were classified to the micro and small businesses segment in the disclosure about supervisory operating segments, in conformity with the aforementioned definitions.
  - Institutional investors classified to the business segment or to the financial management segment in the disclosure about operating segments in conformity with the management approach, were classified to the institutional investor segment in the disclosure about supervisory operating segments.
  - Business customers and individual customers at overseas branches, classified under various operating segments based on the management approach, are classified under the overseas activity segment in disclosure of supervisory operating segments.

Exceptions for classification of business customers by turnover

According to the Bank of Israel Q&A File, the Bank classified business customers to operating segments other than by turnover, in the following cases:

- When the Bank has no information about the revenues of a business customer, the customer is classified to the appropriate supervisory operating segment based on the customer's total financial assets with the Bank. Such classification would be in accordance with the aforementioned categories for revenues, with total financial assets multiplied by 10 for the purpose of such classification.
- When the Bank is of the opinion that the volume of revenues of a business customer are not indicative of their total operations and the customer's total assets on the balance sheet exceed NIS 100 million, the Bank classifies such customer to the Large Businesses segment. Such classification is used, for example, in the real estate sector. When total assets on the balance sheet amount to less than NIS 100 million and the revenues are not indicative, as noted above, the customer is typically classified as follows:

Small and micro businesses – total assets on customer balance sheet amount up to NIS 50 million.

Medium businesses – businesses where total assets on the customer balance sheet amount to between NIS 50 million and NIS 215 million.

Large businesses – businesses where total assets on the customer balance sheet exceeds NIS 215 million.

The principles used in assigning balances, revenues and expenses to customers in the system are as follows:

- Credit interest revenues and deposit interest expenses are directly attributed to the customer. For credit, expense set at original cost of capital raised (transfer cost) is attributed to customers, against an inter-segment credit to the Financial Management segment. Each segment is also charged any excess premium inherent in the cost of raising qualified capital instruments for capital adequacy. This is based on the capital attributed for segment operations. For deposits, revenue set at the original cost of capital raised is attributed to customers, against an inter-segment debit to the Financial Management segment. Transfer prices for loans and deposits are similar. Each of the segments is credited for capital attributed to its operations against a debit to the Financial Management segment. Capital consumption is measured by the average risk-free assets managed by the segment.
- When calculating risk assets attributed to each segment, any off-balance sheet credit exposures are "converted" to credit equivalent using coefficients specified in directives on measurement of capital adequacy.
- For derivative instrument operations, profits are attributed to the customer at the spread incorporated in the price of the derivative instrument quoted to the customer. Gains arising from changes to fair value of derivatives is attributed to Financial Management.
- Gains and losses from Bank investment in securities and from strategic positions are attributed to Financial Management.
- Expenses with respect to credit losses are directly attributed to customers for whom these expenses were recorded.
- Commissions and other revenues are specifically attributed to customers.
- Payroll expenses, building maintenance and other expenses specifically attributed to Bank branches are attributed to branch customers using loading factors which reflect the customer operations and the number of transactions in

their account. Later on, an additional (inter-segment) settlement takes place, which attributes some of the direct expenses of the branch to customers in non-retail operating segments.

Intersegment settlement reflects the fact that branches also serve non-retail customers. This settlement is presented under inter-segment expenses / revenues in the Note.

- Payroll expenses of headquarters staff, maintenance and other expenses not specifically related to branches, are loaded on customers based on appropriate load bases which take into account the ratio of the expense for the segment.
- Certain headquarters expenses may sometimes be attributed to a specific operating segment and may sometimes be attributed based on the current estimate of resources allocated to each operating segment.
- When headquarters expenses may not be attributed, they are assigned by weighted business and IT transactions, as noted above. In this regard, IT expenses directly associated with specific operating segments are attributed to these segments and other IT expenses are assigned to operating segments based on headcount.
- Provision for tax on operating profit is attributed to customers, is pro-rated in accordance with the effective tax rate and accounting for tax impact referring to specific segments and not to all Bank operations.
- Return on equity is calculated as the ratio of net profit to attributed equity. Equity is attributed based on the average risk assets of the customers.
- Balance sheet and assets-under-management balances are specifically attributed to customers.
- Fixed assets are attributed based on appropriate ratios.

Household Segment

For more information about the supervisory definition, concise description of segment attributes (under the management approach) and differences between the management approach and the supervisory definition, see chapter "Supervisory operating segments" of the Report of the Board of Directors and Management.

Products and services

Below is a description of the notable products in the household segment and the primary services offered within the scope of these products.

Banking and finance

Most of the services are provided within this framework

- **Credit and debitory accounts:** The credit limits for debitory account activity are determined according to the customer's needs, his income level and Bank judgment, based on factors including economic models. In accordance with Proper Conduct of Banking Business Directive 325, customers are not allowed to exceed their determined credit limit.
- **Investments**: Providing investment-related services to customers, such as: Various deposits for different terms.
- **Loans**: General-purpose loans which include, inter alia, loans not intended for home purchase secured by pledging a lien on a residential property, and other loans for various terms and under different conditions.
- **Financing automobile purchasing**: Operations providing loans for purchasing new automobiles from importers, where the Bank cooperates with multiple auto importers. There is also financial leasing and car loan activity under the subsidiary Mizrahi Tefahot Leasing.

Mortgages

Major services related to mortgages:

Loans out of Bank funds – Loans out of Bank funds and at its risk, are extended for purchase / construction / expansion / renovation of real estate, as well as general-purpose loans secured by a lien on a residential apartment. The loans are issued for long terms of up to 30 years, considering the loan type and borrower repayment capacity.

The Bank extends credit in different linkage segments and offers a "combined mortgage" – a loan composition that combines various linkage segments and interest types. The combined mortgage enables the Bank to manage risk while maintaining profitability and allowing customers to diversify risk.

Given the high Bank of Israel interest rate over the past 18 months, and the concern about increased inflation, the share of loans in variable, non-linked interest and fixed, non-linked interest tracks increased, as an alternative to the Prime and CPI-linked tracks.

Services in conjunction with the Ministry of Construction and Housing Assistance Program – Beyond the banking activity of granting credit, the Bank acts as an extension of the State in servicing eligible Ministry of Construction and Housing recipients. These services include loans within the Ministry of Construction and Housing's assistance program, including location-based loans and contingent grants. In this area, the Bank is involved, in addition to the ordinary banking services, in the array of administrative aspects required for services to Ministry of Construction and Housing eligible participants, such as issuance of eligibility certificates. The decision as to which bank to apply for their eligibility is up to customers who take out a mortgage. Interest on loans extended as part of assistance programs is set by the Residential Mortgages Law.

In addition to ordinary loans in conjunction with the Assistance Program, there is an arrangement for providing loans, the objective of which is to encourage the purchase of new homes in certain communities that the State has an interest in populating (“location-based loans”) as well as special assistance provided to those buying an apartment under the "Discounted Apartment" program.

Contracting by the Bank and the State for extending loans as part of assistance programs, including the consideration payable to the Bank, is governed by two agreements dated 2004 and 2008. These agreements are extended annually.

Bank revenues from all loans to eligible borrowers under State responsibility in 2024 amounted to NIS 10 million, compared to NIS 12 million in 2023 and to NIS 14 million in 2022.

Insurance marketing (insurance incidental to mortgages)

The vast majority of borrowers are insured by life insurance policies related to the loan, and the properties serving as collateral are insured by property insurance.

In accordance with directives of the Supervisor of Insurance and of the Supervisor of Banks, the Bank may market life insurance and home insurance incidental to residential mortgages by an insurance agency wholly-owned by the Bank (Tefahot Insurance Agency (1989) Ltd.), whose operations are separate from those of the Bank, and is restricted to exclusively engage in home insurance, including water damage, and in life insurance incidental to loans granted by the Bank.

Some borrowers choose to obtain insurance coverage through the Bank's insurance agency while others make other insurance arrangements.

In order to maintain the required separation between mortgage and insurance operations, customers are required, in order to purchase insurance from the Bank's insurance agency, to directly contact the insurance agency, also by using special phones connected directly to the insurance agency, which have been placed in Bank branches.

Bank revenues from insurance incidental to mortgages (in NIS millions):

	2024	**2023**	**2022**
Life insurance	94	92	113
Property insurance	14	14	14
Total revenues from sale of insurance	**108**	**106**	**127**

Capital market

This product includes customer activities in the capital market, including buying, selling and custody of various securities and services provided for such securities held by customers (receiving interest, dividends, bonuses etc.) The Bank also provides mutual fund distribution services and provident fund operating services. The Bank also has a subsidiary, Etgar Investment Portfolio Management Company of Mizrahi Tefahot Group Ltd., engaged in management of securities investment portfolios and providing investment advice to Bank customers and to customers of other banks.

Credit cards

Credit cards are one of the key means of payment in the economy. As part of the activities with customers in the household segment, customers are offered a range of credit cards. The Bank offers its customers credit cards that are issued by credit card issuers Isracard, CAL and MAX, according to the customer's request. The Bank also allows customers to make payments using terminals that support EMV technology using various payment apps. The Bank also allows customers to make payments to merchants using the payment apps Apple Pay and Google Pay. The Bank also has several products in the credit card sector:

"The Card": A Mizrahi-Tefahot credit card which also serves as the Bank's own customer loyalty club. The Card provides unique promotions and activity focused on consumer and banking benefits.

For more information about the agreement with CAL group, inter alia, with regard to issuance of the branded credit card, see Note 26.C.14 to the financial statements.

"Tefahot Credit Card": The product is aimed at assisting mortgage sales as well as opening of current accounts. The product enables the allocation of a credit facility, based on the customer’s repayment ability and the asset already pledged to the Bank, through which the customer can finance additional expenses involved in purchasing a home (furniture, renovations, etc.), or for any other reason.

Unique services provided by the Bank to segment customers

The key unique service offered by the Bank is Hybrid Banking, which allows customers a multi-channel environment, spearheaded by easy, direct access to a personal banker using a range of readily available technologies, as selected by the customer.

As part of the Hybrid Banking strategy, additional telephone service is also provided by the banking center, composed of 11 clusters and a team handling business customers. Each team has 8-9 branches in various regions assigned to it. These teams are an integral part of the branches to which they are assigned, and provide another channel where the customer may obtain service outside the business hours of their branch.

Accordingly, Bank customers can reach their banker at the branch, or one of the branch team members, by using various communication channels, such as corresponding with a banker through the message box or on WhatsApp. The service is provided over 12 hours, from 8am to 8pm, and telephone service is available 24 hours a day. Moreover, under the household segment, the Bank offers its customers services which express the advantages of the combination of products offered by the Bank to its customers as described above. The Bank offers various benefits in current accounts and credit of customers who take out mortgages, in order to encourage the mortgage customers to maintain their current account in the Bank. The Bank also offers mortgage-related benefits to customers with current accounts in the Bank, in order to encourage these customers to take out mortgages through the Bank. The applicable benefits have also been applied to Bank Yahav customers, based on their activity and attributes.

The unique services that the Bank offers its customers in the household segment include retail banking products and mortgage products, as provided below:

"Priority Account": Personalized banking assistance.

"Executive Account": The unique "Executive Account" brand offers premium service to individuals on account management, banking value propositions, financial benefits and non-banking services. Customers may use professional advisors for financial, pension and mortgage advisory services.

"Interest-free Overdraft": Set-off of debit and credit balances of a customer during the month; this service is provided to select customers.

Benefits to mortgage holders: Unique benefits offered to specific groups of customers who have a mortgage account with the Bank. The benefits included an interest-free credit facility in the current account, as well as interest on the credit balance up to the level of the monthly mortgage payment. The benefit is given every month, subject to the customer's meeting other prescribed conditions during that month.

Retirement advisory service: The Bank offers a retirement advisory service to Bank customers and to customers of other banks, both salaried and self-employed, based on an advisory model supported by a computer system developed by the Bank. This advisory service is provided by qualified pension advisors, providing an objective advisory service.

Premium branch: A dedicated branch for private banking customers.

Major markets and distribution channels

Generally, marketing and distribution of the products and services of this segment are carried out through the network of Bank branches and through direct and digital channels.

The Bank has mortgage marketers operating across Israel, based on geography. The role of these marketers is to identify target customers in their geographic territory, to increase the exposure of such audiences to Bank products and services and to maximize the marketing potential of such audiences. Marketers give the Bank an edge in the market while making the customer the focal point, in line with the Bank's strategy in recent years.

Marketers operate in four major areas:
- Direct activity with real estate players – to obtain potential customers.
- Activity with end customers – proactive contract with potential mortgage and checking account customers.
- Synergetic activity with individual customers – to realize the potential synergy of mortgage customers.
- Synergetic activity with business customers and MM customers – businesses, plants, Employee Unions etc.

Bank branches – the Group operates 205 business centers, branches across the country, including 55 Yahav branches (of which 3 branches offer partial service). In conformity with Bank strategy, the expansion of the branch network is being reviewed, primarily with regard to improvement of locations in major cities with emphasis placed on business-rich environments.

Direct channels: In conformity with the Bank's unique Hybrid Banking concept, which links direct channels and the customer's personal banker, the Bank operates these main direct channels:
- Banking center: The branch team at the banking center provides backup for service provided by bankers in branches, facilitating transactions and providing information to Bank customers, as part of the combined Hybrid Service provided to customers. This service is provided during extended hours, from 8am to 8pm.
  The banking center provides sale of instant loan services and credit cards.
- Credit center: The main entry point for new mortgage loan customers; it provides customers with a range of activities related to mortgages, including filing and approval of applications and providing advice on residential mortgages, assisting in deciding on the loan’s composition and coordinating meetings at the branch.
- Customer service and collection center: Provides services to customers who have a mortgage in connection with the management of their loan, receipt of information and approval of applications; the center also executes arrangements and payments for loans in arrears.
- Sales center: This is a portal for recruitment of new customers wishing to join the Bank. Activity in this center is intended to support the selling capabilities of Bank branches, as part of marketing campaigns to recruit customers, who are referred directly to the sales center, or by means of outgoing sales calls to potential customers. The sales center also handles sales of Tefahot credit cards, general-purpose loans, refinancing of mortgages from other banks for Bank customers, reinforcing customer loyalty and customer preservation.
- Investment center: This center provides rapid, professional response to capital market customers for investment transactions and advice, from 7am to 11pm, along with training of investment advisors to be assigned to branches. The center also recruits new customers for savings, expanding savings activity for existing customers, while focusing on maximizing performance of investment campaigns. The center operates an affiliate of the trading room, providing Bank customers with service concerning foreign currency and foreign and Israeli securities.
- On line service – allows customers to receive banking information and execute transactions in your account for a range of banking products available to Bank customers at a reduced cost. This service is available 24 hours a day.

  Bank customers can write directly to their banker through digital channels, including convenient transfer of documents between customer and banker at the branch.
- Account management app – an advanced app featuring login using fingerprint or facial recognition, allowing the customer to view information and to conduct various transactions, at any time and from anywhere. The new app features new, advanced transactions and a new, user-friendly interface.
- Tefahot Touch app – this mortgages app is used by customers, together with the Bank's mortgage experts, from the mortgage application stage through loan origination. The complex process of obtaining a mortgage is made simpler and more convenient by this app, without losing the human touch. Some of the actions required for taking out a mortgage, which previously required customers to go to the branch in order to conduct them, can now be easily completed using Tefahot Touch. Moreover, this is yet another channel for customers to contact the Bank's mortgage experts.
- Chat service: The Bank allows current and potential customers with regard to investments to chat online with bankers at the Bank.
- WhatsApp service: The Bank allows customers who so wish to use WhatsApp for correspondence with bankers at the Bank. It also provides WhatsApp service to mortgage customers.
- Notification Box service: Receiving Bank notifications of account activity in a personal notification mailbox via the Bank's website.
- Cell phone service: Disseminating banking and financial information through cell phones.

- IVR service: This service, available 24 hours a day, is provided to customers who authenticate using their personal password to obtain computer-based information in response to frequently-asked queries.
- Automated machines – the Bank provides various direct services to customers through service stations and ATMs. These services primarily include cash withdrawal and deposit, check book ordering and check deposit, loan origination and obtaining information.

Business Strategy

The service strategy at the Bank is based on the understanding that personal, human contact with a banker offering a high level of professional service is at the core of customer needs. The Bank's branch network is a key component in creating that personal contact with the banker – and must be supported by a current, efficient digital technology environment.

The Bank sees the importance of further development of the household segment and intends to maintain and establish its leadership position in the retail sector. The key goals in the household segment and the resultant business strategy are presented below:

- Increasing household market share by broadening the customer base, mainly among mortgage customers, as a platform for achieving growth in market share and revenues.
- Retaining a market leadership position in the mortgage market, while focusing on areas with high profitability, by providing valuable proposals to customers, based on the synergy between the mortgage, commercial and financial activities.
- Expanding activity in the branch network and converting all the branches into sales units in the household segment, for traditional banking activity and mortgage activity, and for cross-selling to customers.
- Continued development of products aimed at focused population groups, in order to increase volumes of activity.
- Leveraging the ties between the business banking segment in the construction and real estate industry and between the mortgages segment. In this area, emphasis is placed on maximizing the marketing of mortgages to the buyers of homes in projects built by the real estate segment's customers.
- Increasing the Bank's market share in the Arab segment, the Jewish Orthodox segment and among retirees.

Competition in the segment and changes to it

Banking and Finance, credit cards and the capital market

The number of competitors in the household segment is the number of banks operating in the economy, with the focus on the five commercial bank groups. In recent years, the retail banking market sees strong competition among banks. Generally, one can state that the retail banking products offered by the different banks are similar, and therefore, competition focuses on the quality of service, the rates of the margins and commissions paid by the customers. In 2022, a new player entered the market – the digital bank One Zero. In this year, a banking license was also awarded to a new digital bank about to enter the market - esh.

In addition to the inter-bank competition, intensified efforts are discerned by non-banking entities (mainly insurance companies, credit card companies) that also approach this population segment with offers to provide credit. The credit card companies, together with retail chains and other entities, are also taking measures to issue non-bank credit cards directly to customers – This trend accelerated in recent years, due to several significant agreements signed by credit card companies and major retail chains.

In the capital market sector, the competitors also include private investment houses, in addition to insurance companies.

Along with the Increased Competition and Reduced Concentration in Israeli Banking Law, enacted in January 2017, there are several legislative and regulatory efforts under way, which result in increased competition in this segment, including operation of the credit information database, launched in April 2019, the project for arranging account relocation between banks, which went live in September 2021, and a project for arranging a system for sharing banking information by definition of a standard Open Banking API, which is being implemented based on the specified milestones.

Mortgages

Most of the mortgage activity in Israel is conducted through six banks operating in this competitive environment.

Mortgage operations are subject to Bank of Israel directives, primarily Proper Conduct of Banking Business Directive 451 "Procedures for extending residential mortgages", with the following highlights:

- Definition of "residential mortgage" consisting of two major groups:
    - Loans designated for purchase / lease / construction / expansion / refurbishment of a residential apartment, or purchase of land for construction of a residential apartment / interest in a residential apartment (DMEY MAFTEACH).
    - Loans for other purposes, secured by a mortgage on a residential apartment.
- Guidelines for providing approval in principle and locking of interest rate, including compliance with Directive 451 with regard to the Track Reform.

- Approval in principle to combine three uniform loan compositions, as specified in the Directive.
- Rules for property appraisal by an appraiser.
- Rules for obtaining property insurance and life insurance.
- Provision of information for review of feasibility of early repayment / confirmation with respect to early repayment.
- Adjusting the interest rate in loans subject to adjustable interest rate.
- Loan execution date for determination of the repayment schedule.
- Determination of the base index in a loan.

Extending residential mortgages is also subject to Proper Conduct of Banking Business Directive 329 "Restrictions on extending residential mortgages", with the following highlights:
- LTV cap – up to 75% for a single apartment, up to 70% for an alternate apartment and up to 50% for an investment property.
- Cap on loan payments as percentage of income – up to 50% (above 40%, the weighting of risk assets allocated by the Bank increases to 100%).
- Interest type restriction – up to 2/3 of the loan may be subject to adjustable interest.
- Term restriction – loan term may not exceed 30 years.

For dozens of years, the Bank has been the leader in the mortgage sector, in terms of the volume of loans issued and the balance of the residential mortgages portfolio, subject to appropriate risk management and maintaining appropriate credit quality.
The Bank has adopted different means to deal with the competitive environment in which the mortgages sector operates, including extensive advertising, use of marketers in the field, development and institution of new products, maintaining a presence in the new-homes market, by financing residential construction projects, etc. Another facet of the Bank's dealing with the competition in the mortgage sector is investing resources in constant improvement of its professional standard and the service it provides to customers, emphasizing a personal connection and multiple channels.
This information constitutes forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank's Board of Directors. These assumptions may not materialize due to factors which are not solely controlled by the Bank.

Private Banking Segment

For more information about the supervisory definition, concise description of segment attributes (under the management approach) and differences between the management approach and the supervisory definition, see chapter "Supervisory operating segments" of the Report of the Board of Directors and Management.

Products and services

The private banking center offers its customers full banking services to their customers, primarily private banking. The products and services offered to customers of this segment are as follows:
- **Banking and finance** – A wide range of banking and finance products are offered to this segment's customers, in addition to ordinary banking services, while formulating an investment strategy suitable for each customer, tailored to his character and special needs, as well as an array of advanced investment products.
- **Capital market** - this product includes customer operations in the capital market, including buying, selling and custodial services of various securities, and provision of services with respect to securities (receipt of interest, dividends, bonus etc.) This also includes mutual fund distribution services.
- **Credit cards** – the Bank offers to segment customers a range of exclusive credit cards issued by Israeli credit card companies, including special loyalty clubs for businesses.

Major markets and distribution channels

The markets addressed by this segment are customers with high financial wealth (both Israelis and foreign residents).

Competition in the segment and changes to it

The concept of the unique services defined by the Bank as "private banking" prevails throughout the global and international banking system, and also in Israel. However, it should be noted that the criteria that determine whether one belongs to this segment, the service approach and its specific nature change, and do not rest on identical principles in all the banks. Also, accordingly, the volume of the Bank's activities in this segment relative to its competitors is not known, and public information is not available about the proportionate share in the private banking system of the different banks.

In addition to local banks, there is competition in this segment from foreign banks and non-banking entities, such as investment houses, types of funds (from Israel and overseas) and insurance companies.

In order to deal with current competition in this segment, the Bank invests substantial resources in the professional training of its employees, in providing high quality service and in maintaining strong ties with the customer, in the organization of professional conferences for the segment's select customers, in introduction of specialized and unique products to the segment's customers, and in efforts to identify and attract new customers on a regular basis.

Small and micro business segment

For more information about the supervisory definition, concise description of segment attributes (under the management approach) and differences between the management approach and the supervisory definition, see chapter "Supervisory operating segments" of the Report of the Board of Directors and Management.

Products and services

Below is a description of the notable products in the small business segment and the primary services offered within the scope of these products.

Banking and finance

Within the scope of this product, the Bank provides the following services:

Management of checking account facilities: The facilities are determined according to the customer's needs, turnover and judgment of the Bank.

Loans for various purposes: Business loans, loans against the discounting of checking, credit vouchers etc. The Bank has a wholly-owned subsidiary, engaged in discounting of credit card vouchers.

Import / export activities: Foreign currency operations, adaptation of credit facilities to the nature of the customer's activities using technological means, such as: EDI (Electronic Data Inter-charge) online.

Investments: Diverse operations related to investments, such as deposits of various types and for various terms.

Capital market

This product includes customer activities in the capital market, including buying, selling and custody of various securities and services provided for such securities (receiving interest, dividends, bonuses etc.) This also includes mutual fund distribution services and provident fund operating services.

Credit cards

The Bank offers to segment customers a range of credit cards issued by Israeli credit card companies.

Loans for small businesses, guaranteed by the State

As from December 2022, the Bank has been operating in the new State-guaranteed fund for small and medium businesses, after being selected by the Ministry of Finance as a lender in this fund. In this regard, the Bank extends State-guaranteed loans under various tracks.

In the fourth quarter of 2023 and during 2024 the Bank extended loans under the dedicated Iron Swords track, set up by the State-guaranteed fund to assist businesses in addressing the effects of the war.

Major markets and distribution channels

The main marketing and distribution factors in the segment are the Bank's branches and direct channels. There is no dependence on outside marketing channels. For details of these marketing and distribution factors, see description of the household segment.

Business Strategy

Increasing focus and expanding operations in business segments, including the micro and small business segment is at the heart of the Bank's business strategy. This is done while constantly assessing risk and controls at the customer, segment and economy levels.

Below are the key goals in the small business segment and the business strategy deriving from these goals:

- Increasing marketing activity vis-à-vis customers, while segmenting the customers by occupation, size of operation and individual needs.
- Maximize activity with each customer by adopting a comprehensive view of customer activity, creating a comprehensive relationship based on credit products and marketing of other products – depending on customer attributes.
- Expand operations in State-guaranteed foundations.
- Expand geographic deployment of services provided to segment customers.

Competition in the segment and changes to it

Competition in the small business segment is primarily within the banking system. However, over the past years, public action was taken to reinforce the market share of non-bank credit providers (such as institutional investors, non-bank credit cards and other financing companies) in this area. The Bank's principal methods for dealing with the competition are active marketing, personal ties with the customer, providing personal service and comprehensive professional solutions for the full range of customer financial needs.

Medium business segment

For more information about the supervisory definition and differences between the management approach and the supervisory definition, see chapter "Supervisory operating segments" of the Report of the Board of Directors and Management.

Summary description of the segment (by Management Approach)

The medium business segment primarily includes medium-sized private and public companies (Middle Market), with turnover between NIS 30 and 250 million.

This segment operates across all economic sectors, primarily industry, solar energy, commerce and services, as well as construction and real estate.

In recent years, new customers are classified in conformity with the supervisory approach – those with annual turnover over NIS 50 million and under NIS 250 million.

Customers in this segment are primarily served by the Bank's Corporate Division, primarily by the Business Sector, operating four business centers nation-wide, with additional service provided by the Bank's business centers, business branches and extensive branch network.

Each center has the professional resources required to address all customer needs. These centers operate in coordination with the Bank's branch network, which handles operating aspects of customer activity. Thus, customers enjoy personal, professional service which provides a response to all their banking needs, as well as benefit from the extensive branch network.

Segment customers operating primarily in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector. These customers enjoy service at specialized real estate branches, with regard to operating aspects as well as the specialized, professional service of the construction and real estate sector.

Customers in this segment use a range of banking services, associated with a relatively high ratio of required collateral compared to Business Banking segment customers.

Customers are mostly active on the local market. However, customers also conduct foreign trade transactions (import / export) of significant volume.

Products and services

Segment customers are offered customized products and services, in the banking and finance sector. Within this framework, the Bank issues different kinds of credit, both loans and current credit for working capital purposes: foreign trade services – importing, exporting, documentary credit; bank guarantees, etc.; transactions in foreign currency, including trading in derivative instruments, factoring services and investment in deposits and in securities.

Major markets and distribution channels

The segment primarily engages in marketing and distribution using four business centers operating under the Corporate Division, as well as business centers and Bank branches throughout Israel. Customer relations management is conducted by special professionals at the business centers, who are in charge of this and are in constant contact with customers. New customer recruitment is carried out in close co-operation with Bank business centers and branches operating in the Retail Division.

Operations in this segment include development of marketing and business operations based on understanding customer needs and customizing comprehensive banking solutions to these needs; providing professional, rapid and efficient service; offering a range of products and solutions customized for customer needs with controlled management of risk arising from segment operations, including by specifying financial covenants to monitor customers' financial robustness.

Customers may also use the direct banking channels and customary banking channels.

Business Strategy

The Bank's business strategy emphasizes the significant expansion of the customer base and growth in the activities of the medium business segment.

The Bank intends to continue significantly expanding operations in this segment, primarily by recruiting new customers and expanding banking services to current customers and to customers for which the Bank is a secondary bank.

Competition in the segment and changes to it

Segment customers conduct their financial activity primarily within the banking system, so that competition for this customer segment is significant, since all banks and non-bank financing companies compete for this target audience.

There is also non-material competition in factoring and by credit card companies.

The Bank considers expansion of this segment's business to be an important major objective and therefore invests resources in handling these companies by providing comprehensive, professional solutions for customer needs, maintaining a personal relationship and providing fast, efficient service.

Large business segment

For more information about the supervisory definition and differences between the management approach and the supervisory definition, see chapter "Supervisory operating segments" of the Report of the Board of Directors and Management.

Summary description of the segment (by Management Approach)

The segment specializes in providing complete banking and financing services to the largest companies, in a range of sectors, with turnover exceeding NIS 250 million.

In recent years, new customers are classified in conformity with the supervisory approach – those with annual turnover over NIS 250 million.

The major sectors served are: industry, commerce, construction and real estate.

This segment includes market-leading customers with large-scale operations, some of which are multi-nationals or companies with local operations which address overseas markets.

Customers of this segment are served by the Corporate Division of the Bank, primarily by the Big Corporations sector.

Segment customers operating in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.

All customers receive additional (operating) service from the Bank's extensive branch network in Israel and overseas.

In its activities in this segment, the Bank emphasizes expansion of the current customer base and improved profitability through expansion of activity in financing areas with very high profitability relative to capital, such as trading room transactions, including transactions in derivatives and other products provided to customers by the trading room.

Products and services

Segment customers are offered a range of banking and finance products, including: Different types of credit – on call, loans for various terms, different types of guarantees; financing through leading and organizing or participating in syndications, financing of infrastructure projects, mergers and acquisitions; trading in derivative instruments; foreign trade activity (financing for credit insurance, importing, exporting and documentary credit) and factoring. These services are supported by a specialized sector at the Bank, which can customize for each customer the relevant product for their business and operating attributes.

Below is a description of the notable products in the business banking segment and the primary services offered within the scope of these products.

Credit to large corporations in Israel and overseas

The Bank provides banking services to multi-national customers based in Israel.

In this context, the Bank provides foreign currency, foreign trade and factoring services as well as service at the Bank's overseas affiliates.

Products related to real estate

In this sector, the Bank offers loans to finance the purchase and construction of real estate, mainly residential construction products in areas of high demand, while insisting on the applications of tests prescribed in order to maintain the quality of the loan portfolio, and these include ties with customers having financial strength and stability, transactions characterized by favorable safety cushions for the Bank, and management using methods that reduce the risk.

The main services provided to customers of the real estate sector are:

- **Credit for construction** – in this sector, the Bank provides credit, in particular short- and medium-term loans, used to finance land acquisition and investment in construction, as well as various types of bank guarantees.

- **Financing for construction projects** – construction project financing is a unique service, provided by the Bank exclusively to customers in this sector. Within this framework, the customer is offered a package of financial and banking services, suited to the specific needs of each project and based on its characteristics. This includes allotment of credit facilities for land acquisition, construction loans, financial guarantees, performance guarantees and guarantees to home buyers in projects. The Bank issues construction financing mainly by the closed financial support method, in which the Bank channels the financing sources, including the buyers' monies deposited with it, in a manner that advances completion of the project.
- **Purchase groups** – a purchase group is a collection of individuals, gathered for the purpose of jointly acquiring land and buying construction services on said land. Alternatively, existing land owners join forces to jointly construct, by ordering construction services. The Bank provides dedicated financing for projects of this type, and assists them from preliminary stages of forming the group, through completion of construction.

Arranging and leading syndications – The Bank sees an objective in expansion of its business in initiating, leading, organizing and managing syndication transactions – as part of the Bank being a major player in the business credit market. These operations are led by officers who specialize in this area. By leading and organizing syndication transactions, the Bank provides a solution for businesses requiring significant credit while maintaining risk within the Bank's risk appetite.

Major markets and distribution channels

The main marketing and distribution parties in this segment are the managers and customer managers in the Business Banking Division, supported by the Bank's branches and business centers in Israel and at overseas affiliates.

In order to provide an optimal response to segment customer needs, the servicing of major business banking customers in this segment was placed under the Corporate Sector of the Bank's Corporate Division, divided into departments and teams having specific industry specialization. The teams work in cooperation with professional Bank departments involved in syndication, factoring, foreign trade, capital market, trading room operations etc. – in order to provide a comprehensive solution for customer needs.

Operations in this segment include providing fast and effective professional services that offers a comprehensive solution adapted for all of the customer's banking needs. This is done while by a variety of innovative financial products and solutions.

These operations are backed by a strong capacity for analysis of customer needs and their financial standing, as well as identifying risk associated with customer relationships due, *inter alia*, to anticipated changes in the economy and in the customer sector.

Business Strategy

The Bank's business strategy for the large business segment is designed to increase the number of customers and to expand business with existing customers and to finance large projects. This is to be done while maximizing the economic potential of the capital by focusing on activities having high profitability relative to the capital needed for them. through, inter alia, the following activities:

- Implement an approach based on total outlook on the business customer, leveraging credit products and offering other products to establish a comprehensive customer relationship.
- Segmentation of business customers, economic sector and other attributes that require specialization, such as legal complexity, inter alia, in combination projects and in urban renewal projects (eviction-construction schemes and National Zoning Plan 38), in infrastructure projects and the high-tech sector, which has specific operating attributes. This is designed to optimally specify their business needs and to provide them with an appropriate professional solution.
- Emphasis on profitability and return on uses.

The risk in realizing the strategy stated above is mainly a reduction in the volume of activity with certain customers, from which the Bank's profit does not reflect the required return, or a relatively high risk associated with doing business with these customers.

Note that macro-economic change poses significant challenges to credit management, at the Bank in general and in the Business Banking segment in particular, with some segment customers exposed, directly or indirectly, to extensive financial and economic operations in Israel and overseas, as well as to capital raising capacity on financial markets. Therefore, the Bank allocates significant resources to enhancing means for testing and control of exposure, aimed at tightening supervision of the credit portfolio.

Competition in the segment and changes to it

Competition in the business banking segment is with large and mid-sized banks in Israel, and occasionally with overseas banks, and for some services – the entire capital market. In recent years, institutional investors and insurance companies have expanded their business with such customers, by focusing on providing significant long-term credit.

Alternatives for the products and services offered by the Bank to customers of the Business Banking segment include raising capital and debt through public and private offerings. The Bank's key asset for dealing with the competition is the existing human infrastructure and the experience gained in providing professional service and adapting banking solutions to the customer's needs, occasionally in co-operation within consortia with other institutions.

The Bank's main methods for dealing with the competition are to provide professional service that is fast and effective, while offering optimal solutions for the customer's needs in a diverse array of its financial activities. As well as customizing complex financial solutions in response to customer needs.

As part of its operations in this segment, the Bank places emphasis on the best possible personal service to the business customer and adapting it to the customer's needs according to his unique characteristics, while focusing on industry expertise and providing specific professional advice in specialty areas.

Similar to competition for corporate financing, the competition for providing banking services to construction and real estate customers has seen non-banking entities enter into this area, as well. These entities provide assistance to projects on their own, without cooperation with any banks.

The Bank’s primary methods for dealing with the competition in the area of construction and real estate services are based on providing comprehensive professional solutions for the customers’ needs, readily available and fast service, and maintaining close and personal ties with customers. This is achieved mainly via dedicated business departments specializing in the construction and real estate sector.

Institutional investors segment

For more information about the supervisory definition, concise description of segment attributes (under the management approach) and differences between the management approach and the supervisory definition, see chapter "Supervisory operating segments" of the Report of the Board of Directors and Management.

Products and services

The Bank has agreements in place to provide operating services to provident fund management companies, some are an addendum to sale of provident funds previously owned by the Bank. As for mutual funds, the Bank has agreements in place to provide services to mutual fund management companies.

The segment also provides comprehensive service to management companies of provident funds and mutual funds.

Banking services also include credit of various types and transactions involving derivatives.

Major markets and distribution channels

The key marketing and distribution agents for this segment are managers and account managers at the Business Banking Division, the Finance Division and the Planning and Operations Division. In order to provide an optimal response to segment customer needs, the servicing of major customers in this segment was placed under the Corporation Sector of the Bank's Corporate Division, the Commercial Sector of the Finance Division and the Provident Fund Operations Sector of the Finance Division, teams work in cooperation with professional Bank departments involved in capital market, trading room operations etc. – in order to provide a comprehensive solution for customer needs.

Business Strategy

The Bank's business strategy for this segment is designed to increase the number of customers and to expand business with existing customers. This is to be done while maximizing the economic potential of the capital by focusing on activities having high profitability relative to the capital needed for them.
The risk in realizing the strategy stated above is mainly a reduction in the volume of activity with certain customers, from which the Bank's profit does not reflect the required return, or a relatively high risk associated with doing business with these customers. In contrast, the overall profitability of the Bank could rise, as it focuses on profitable customers and expansion of activity with them, while utilizing the Bank's capital resources.

Competition in the segment and changes to it

With regard to providing execution services on the Tel Aviv Stock Exchange to institutional investors, there is significant competition between local banks and stock exchange members.

As for transactions involving derivatives, there is also competition with foreign banks with which some institutional investors have opened direct accounts.

Financial management segment

For more information about the supervisory definition, concise description of segment attributes (under the management approach) and differences between the management approach and the supervisory definition, see chapter "Supervisory operating segments" of the Report of the Board of Directors and Management.

Products and services

The trading room provides trading services to Bank customers in OTC (mostly: foreign currency, interest, options) and in brokerage of foreign and local securities, with local and overseas entities as counter-parties.

OTC trading – the transactions which may be conducted through the trading room: buy / sell foreign currency, options and interest derivatives. The Bank is licensed for market making in USD/NIS and in Israeli Government bonds.

Securities trading – trading securities to provide a solution for Bank customers' activity on the local market and on various world markets. The Trading Department consists of two parts – trading of Israeli securities and trading of foreign securities; both provide execution services for equities, bonds, options and negotiable futures and mutual funds.

Major markets and distribution channels

The trading room provides services for global currencies and securities, primarily in developed nations. The trading room includes a Customer Marketing Unit, which provides distribution services for trading room products.

Business Strategy

Asset and liability management operations have the key objective of active management of exposure to market risk and of the bond portfolio, aimed at optimal management of financing profitability, while maintaining appropriate, controlled exposure to market- and liquidity risk, which reflects the Bank's risk appetite, subject to limits specified by decisions of the Board of Directors and management.

At the Bank, the main activity in the bond portfolio is efficient management of excess Bank liquidity in NIS and in foreign currency, compared to an alternative, risk-free investment. The policy on excess liquidity management is based on requirements for liquidity risk management, in conformity with Proper Conduct of Banking Business Directive 342, Proper Conduct of Banking Business Directive 221 – liquidity coverage ratio and Proper Conduct of Banking Business Directive 222 – Net stable funding ratio (for more information about the liquidity model and restrictions imposed by management and by the Board of Directors, see chapter "Risks overview" of the Report of the Board of Directors and Management and the Detailed Risks Management Report on the Bank website). Threshold criteria were also prescribed for nostro bond activity, based on the credit risk inherent in the portfolio's activity, to diversify investments and to increase their liquidity. Bond operations are subject to compliance with credit limits specified by the Bank for countries, banks and companies – with the bulk of these operations involving risk exposure to the State of Israel.

As for management of market risk exposure, the Bank actively manages the trading portfolio in order to generate gain at the specified risk level. The bank portfolio is regularly managed and monitored in order to improve interest revenues, subject to the risk appetite. The volume of activity and risk must meet the market risk exposure limits prescribed by the Board of Directors and management. For more information about risk limitations and management of market risk exposure, see the Detailed Risks Management Report on the Bank website.

The segment also acts to raise financial sources as needed for Bank operations, while complying with liquidity and financing ratio targets and capital ratio targets, as per decisions of the Board of Directors. This would be achieved by raising deposits with different linkage bases and for different terms, and by issuing obligatory notes and contingent subordinated notes (Tier II capital). For more information see chapter "Developments in financing sources" and chapter "Developments in capital structure" of the Report of the Board of Directors and Management.

One of the tools used by the Bank in managing liquidity and exposure to market and capital risk is the issuance of subordinated notes, inter alia, through the subsidiary, Mizrahi-Tefahot Issuance Company Ltd., as provided below in the chapter "Developments in capital structure" of the Report of the Board of Directors and Management.

The segment includes the Bank's trading room operations in financial and capital markets. These operations include market making in all standard derivative instruments trading over-the-counter in Israel and back-to-back trading in complex derivatives. The trading room also serves major local and foreign customers trading in securities in stock exchanges in Israel and overseas. The Bank strives to position itself as a leader in the OTC market in Israel, while maintaining the risk level specified in Bank policy and adapting operations to local and global regulation. Furthermore, the Bank constantly strives to expand its operations by expanding the customer base and intensifying business activity and customer relationships, inter alia, by improving cooperation between Bank departments operating within the trading room, development of new transaction types and investing in acquiring professional knowledge.

A critical success factor in this operating segment is the Bank's ability to understand the macro and micro factors affecting the market trends and conditions, for correctly identifying the market conditions and the ability to act quickly in opening and closing positions. In addition, the professionalism of staff in this area and technology systems in support of the various activities, identification of needs of other units as well as co-operation between different Bank units.

Management of the financial segment and its various components requires highly professional skills, supported by appropriate IT systems and by advanced models for management of transactions and risk. These are all guided by the policies which include clear restrictions and rules, and are controlled using advanced means of control. In particular, with regard to Bank exposure to other financial institutions in Israel and overseas, in exposure to different financial products and in exposure to customers whose financial stability may be particularly sensitive. For more details of Bank exposure to foreign financial institutions, see chapter "Risks Overview" of the Report of the Board of Directors and Management and the chapter "Credit risk" in the detailed Risks Report on the Bank website.

Competition in the segment and changes to it

The financial management segment includes operations of the trading room. This area faces a high level of competition with the primary competitors: Israel's top four bank groups, as well as foreign banks.

Operating results overseas

For more information about the supervisory definition, concise description of segment attributes (under the management approach) and differences between the management approach and the supervisory definition, see chapter "Supervisory operating segments" of the Report of the Board of Directors and Management.

Products and services

Details of the affiliates and their business are as follows:

Bank's overseas branches – Overseas branches offer their customers banking services, in accordance with the local laws and regulations. The branches are subject to the local and Israeli regulation.

- **Los Angeles Branch** – The branch is primarily engaged in commercial banking, financing for real estate transactions, financing for high-tech companies, participating in syndicated loans and receiving deposits. Deposits with this branch are insured by the Federal Deposit Insurance Corporation(FDIC). The branch's customers are local, Israeli and international customers.
- **London Branch** – The branch is engaged mainly in business banking, including participation in loan syndicates, financing of foreign trade, credit for high-tech companies, financing for real estate transactions, receiving deposits, foreign currency trade and providing personal banking services, excluding advisory service on securities. The branch's customers are local, Israeli and international customers.

Major markets and distribution channels

The major markets are local customers, mostly from the Jewish community, located in countries where the Bank's overseas affiliates do business, as well as customers resident in Israel whose financial and business needs include banking services provided overseas.

Major distribution channels include participation in professional conferences in countries where the affiliates are located, and advertising in the local Jewish community.

Business Strategy

The Bank's overseas affiliates operate in a competitive environment of local and international banks operating in the same country, but are focused on providing banking services on a more limited scale, compared to local and international banks. Competition is focused on service quality, response time and maximizing the customer-Bank relationship. Each international operations affiliate has a unique target audience. Critical success factors are based on providing fast, personal service at an international level. Service provided to customers is based on understanding their personal needs and providing individual solutions based on intensive knowledge of local markets in order to find the appropriate range of products.

In order to compete with current competition in this segment, extensive resources are dedicated to recruiting high-quality staff with extensive experience, in professional training of staff, and in offering a high-quality range of products compared to global competition. The Bank is also focused on providing high-quality service and maintaining strong customer relationships, organizing professional events for select customers and efforts to locate and recruit new customers on a day-to-day basis.

The Bank strives to develop business by existing affiliates and to create strategic alliances with leading financial institutions in international banking and jointly work with them. The Bank also reviews options for offering services appropriate for each affiliate, which respond to varying needs in each market along with technology, business and regulatory changes.

International operations involve several unique risks factors:

- Operation under specific statutory and regulatory regimes of each country.
- Risk associated with challenges to controlling remote affiliates from the head office.
- Business risks (credit and market risk) are impacted by local factors, which may differ from the environment and factors in Israel.

Each overseas affiliate operates subject to local laws and regulations, and is regularly assisted by local legal counsel who specialize in banking operations applicable for each affiliate. The Bank has also established and maintains a supervisory and control process over operations of its affiliates, through relevant Risk Owners at the Bank in Israel, and by using external professional consultants on behalf of the Bank in Israel.

Competition in the segment and changes to it

In recent years, competition with affiliates of Israeli banks overseas has subsided. Furthermore, global regulatory changes have resulted in a change in business focus and changes to customer preferences.

Bank Mizrahi Tefahot

Appendixes to annual financial statements

2024

Table of Contents

Appendix 1 – Revenue rates and interest expenses of the Bank and subsidiaries thereof[(1)]

For the year ended December 31

Reported amounts (NIS in millions)

A. Average balances and interest rates – assets

	2024			2023			2022		
	Average balance[(2)]	Interest revenues	Revenue rate	Average balance[(2)]	Interest revenues	Revenue rate	Average balance[(2)]	Interest revenues	Revenue rate
			in %			in %			in %
Interest-bearing assets									
Loans to the public[(3)]									
In Israel	325,008	[(7)]20,647	6.35	306,630	[(7)]19,413	6.33	284,495	[(7)]14,469	5.09
Outside of Israel	9,798	876	8.94	7,701	693	9.00	4,838	325	6.72
Total	**334,806**	**21,523**	**6.43**	**314,331**	**20,106**	**6.40**	**289,333**	**14,794**	**5.11**
Loans to the Government									
In Israel	372	18	4.84	476	16	3.36	312	3	0.96
Outside of Israel	38	4	10.53	70	8	11.43	101	8	7.92
Total	**410**	**22**	**5.37**	**546**	**24**	**4.40**	**413**	**11**	**2.66**
Deposits with banks									
In Israel	1,311	45	3.43	2,560	101	3.95	4,961	37	0.75
Outside of Israel	113	10	8.85	778	12	1.54	113	1	0.88
Total	**1,424**	**55**	**3.86**	**3,338**	**113**	**3.39**	**5,074**	**38**	**0.75**
Deposits with central banks									
In Israel	52,213	2,197	4.21	[(11)]56,651	2,400	4.24	[(11)]68,866	817	1.19
Outside of Israel	21,345	1,137	5.33	17,561	904	5.15	10,535	197	1.87
Total	**73,558**	**3,334**	**4.53**	**74,212**	**3,304**	**4.45**	**79,401**	**1,014**	**1.28**
Securities borrowed or purchased in resale agreements									
In Israel	278	12	4.32	96	4	4.17	1,108	10	0.90
Outside of Israel	-	-	-	-	-	-	-	-	-
Total	**278**	**12**	**4.32**	**96**	**4**	**4.17**	**1,108**	**10**	**0.90**
Bonds held to maturity and available for sale[(4)]									
In Israel	16,517	718	4.35	12,948	386	2.98	14,840	288	1.94
Outside of Israel	1,882	121	6.43	1,152	64	5.56	994	22	2.21
Total	**18,399**	**839**	**4.56**	**14,100**	**450**	**3.19**	**15,834**	**310**	**1.96**
Bonds held for trading[(5)]									
In Israel	2,103	13	0.62	[(11)]1,968	4	0.20	[(11)]218	18	8.26
Outside of Israel	-	-	-	-	-	-	-	-	-
Total	**2,103**	**13**	**0.62**	**1,968**	**4**	**0.20**	**218**	**18**	**8.26**
Total interest-bearing assets	**430,978**	**25,798**	**5.99**	**408,591**	**24,005**	**5.88**	**391,381**	**16,195**	**4.14**
Receivables for credit card operations	4,818			4,311			4,218		
Other non-interest bearing assets[(6)]	29,061			[(11)]23,332			[(11)]15,917		
Total assets	**464,857**			**436,234**			**411,516**		
Total interest-bearing assets attributed to overseas operations	**33,176**	**2,148**	**6.47**	**27,262**	**1,681**	**6.17**	**16,581**	**553**	**3.34**

See remarks below.

Appendix 1 – Revenue and expense rates of the Bank and of its subsidiaries[1] – continued

For the year ended December 31

Reported amounts (NIS in millions)

B. Average balances and interest rates – liabilities and equity

	2024			2023			2022		
	Average balance[2]	Interest expenses	Revenue rate in %	Average balance[2]	Interest expenses	Revenue rate in %	Average balance[2]	Interest expenses	Revenue rate in %
Interest-bearing liabilities									
Deposits from the public									
In Israel									
On-call	33,986	1,321	3.89	34,293	1,053	3.07	[11] 43,719	211	0.48
Term deposits	237,769	10,239	4.31	215,855	9,053	4.19	169,384	3,861	2.28
Outside of Israel									
On-call	456	-	-	440	-	-	513	-	-
Term deposits	13,693	744	5.43	9,631	527	5.47	4,699	96	2.04
Total	**285,904**	**12,304**	**4.30**	**260,219**	**10,633**	**4.09**	**218,315**	**4,168**	**1.91**
Deposits from the Government									
In Israel	42	2	4.76	42	2	4.76	52	3	5.77
Outside of Israel	-	-	-	-	-	-	-	-	-
Total	**42**	**2**	**4.76**	**42**	**2**	**4.76**	**52**	**3**	**5.77**
Deposits from banks									
In Israel	3,316	82	2.47	6,687	95	1.42	7,727	9	0.12
Outside of Israel	3	-	-	56	-	-	345	-	-
Total	**3,319**	**82**	**2.47**	**6,743**	**95**	**1.41**	**8,072**	**9**	**0.11**
Securities loaned or sold in re-purchase agreements									
In Israel	-	-	-	-	-	-	-	-	-
Outside of Israel	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Bonds and subordinated notes									
In Israel	36,952	1,528	4.14	34,804	1,282	3.68	34,009	1,744	5.13
Outside of Israel	-	-	-	-	-	-	-	-	-
Total	**36,952**	**1,528**	**4.14**	**34,804**	**1,282**	**3.68**	**34,009**	**1,744**	**5.13**
Other liabilities									
In Israel	2,859	68	2.38	[11]3,643	18	0.49	[11]3,005	31	1.03
Outside of Israel	-	-	-	-	-	-	-	-	-
Total	**2,859**	**68**	**2.38**	**3,643**	**18**	**0.49**	**3,005**	**31**	**1.03**
Total interest-bearing liabilities	**329,076**	**13,984**	**4.25**	**305,451**	**12,030**	**3.94**	**263,453**	**5,955**	**2.26**
Non-interest bearing deposits from the public	78,454			79,819			[11]105,005		
Payables for credit card transactions	4,694			3,892			4,114		
Other non-interest bearing liabilities[8]	21,409			[11]19,788			[11]16,842		
Total liabilities	**433,633**			**408,950**			**389,414**		
Total equity instruments	**31,224**			**27,284**			**22,102**		
Total liabilities and equity instruments	**464,857**			**436,234**			**411,516**		
Interest spread			**1.74**			**1.94**			**1.88**
Net return[9] on interest-bearing assets									
In Israel	397,802	10,410	2.62	381,329	10,821	2.84	374,800	9,783	2.61
Outside of Israel	33,176	1,404	4.23	27,262	1,154	4.23	16,581	457	2.76
Total	**430,978**	**11,814**	**2.74**	**408,591**	**11,975**	**2.93**	**391,381**	**10,240**	**2.62**
Total interest-bearing liabilities attributed to overseas operations	**14,152**	**744**	**5.26**	**10,127**	**527**	**5.20**	**5,557**	**96**	**1.73**

See remarks below.

Appendix 1 – Revenue and Expense Rates – of the Bank and its Subsidiaries[(1)] – continued

For the year ended December 31

Reported amounts (NIS in millions)

C .Average balances and interest rates – Further information about interest-bearing assets and liabilities attributed to operations in Israel

	2024			2023			2022		
	Average balance[(2)]	Revenues (expenses)	Revenue (expense) rate	Average balance[(2)]	Revenues (expenses)	Revenue (expense) rate	Average balance[(2)]	Revenues (expenses)	(Revenue) rate
			in %			in %			in %
Israeli currency – non-linked									
Total interest-bearing assets	295,140	17,015	5.77	[(11)]285,301	16,231	5.69	[(11)]278,298	9,307	3.34
Total interest-bearing liabilities	222,343	(8,621)	(3.88)	[(11)]208,447	(7,164)	(3.44)	[(11)]171,570	(1,956)	(1.14)
Interest spread			**1.89**			**2.25**			**2.20**
Israeli currency – linked to the CPI									
Total interest-bearing assets	85,013	5,556	6.54	[(11)]81,224	5,128	6.31	[(11)]80,222	5,781	7.21
Total interest-bearing liabilities	50,990	(2,299)	(4.51)	47,778	(2,139)	(4.48)	54,779	(3,185)	(5.81)
Interest spread			**2.03**			**1.83**			**1.40**
Foreign currency (including Israeli currency linked to foreign currency)									
Total interest-bearing assets	17,649	1,079	6.11	14,804	965	6.52	16,280	554	3.40
Total interest-bearing liabilities	41,591	(2,320)	(5.58)	39,099	(2,200)	(5.63)	31,547	(718)	(2.28)
Interest spread			**0.53**			**0.89**			**1.12**
Total – operations in Israel									
Total interest-bearing assets	397,802	23,650	5.95	381,329	22,324	5.85	374,800	15,642	4.17
Total interest-bearing liabilities	314,924	(13,240)	(4.20)	295,324	(11,503)	(3.90)	257,896	(5,859)	(2.27)
Interest spread			**1.75**			**1.95**			**1.90**

See remarks below.

Appendix 1 – Revenue and expense rates of the Bank and of its subsidiaries(1)

For the year ended December 31

Reported amounts (NIS in millions)

D. Analysis of changes in interest revenues and expenses

	2024 compared to 2023			2023 compared to 2022		
	Increase (decrease) due to change(10)			Increase (decrease) due to change(10)		
	Volume	Price	Net change	Volume	Price	Net change
Interest-bearing assets						
Loans to the public						
In Israel	1,168	66	1,234	1,401	3,543	4,944
Outside of Israel	187	(4)	183	258	110	368
Total	**1,355**	**62**	**1,417**	**1,659**	**3,653**	**5,312**
Other interest-bearing assets						
In Israel	(79)	171	92	(608)	2,346	1,738
Outside of Israel	208	76	284	395	365	760
Total	**129**	**247**	**376**	**(213)**	**2,711**	**2,498**
Total interest revenues	**1,484**	**309**	**1,793**	**1,446**	**6,364**	**7,810**
Interest-bearing liabilities						
Deposits from the public						
In Israel	919	535	1,454	1,497	4,537	6,034
Outside of Israel	214	3	217	254	177	431
Total	**1,133**	**538**	**1,671**	**1,751**	**4,714**	**6,465**
Other interest-bearing liabilities						
In Israel	(78)	361	283	12	(402)	(390)
Outside of Israel	-	-	-	-	-	-
Total	**(78)**	**361**	**283**	**12**	**(402)**	**(390)**
Total interest expenses	**1,055**	**899**	**1,954**	**1,763**	**4,312**	**6,075**

(1) Information in these tables is after the effect of hedging derivative instruments.

(2) Based on balance at start of month (in Israeli currency – non-linked segment: based on daily balances).

(3) Before deduction of average balance sheet balance of provisions for credit losses. Includes impaired debt not accruing interest revenues.

(4) From the average balance of bonds available for sale, for the one-year periods ended December 31, 2024, 2023 and 2022, we (deducted) added the average balance of unrealized (losses) gains from adjustment to fair value of bonds available for sale, included in equity under Other Comprehensive Income, under "Adjustments with respect to presentation of securities available for sale at fair value", amounting to NIS (279) million, NIS (444) million and NIS (409) million, respectively.

(5) From the average balance of bonds held for trading, for the one-year periods ended December 31, 2024, 2023 and 2022, we (deducted) added the average balance of unrealized (losses) gains from adjustment to fair value of bonds held for trading, amounting to NIS (21) million, NIS 14 million and NIS 16 million, respectively.

(6) Includes derivative instruments, other non-interest bearing assets, net of provision for credit losses.

(7) Commissions amounting to NIS 499, 375 and 571 million were included in interest revenues for the one-year periods ended December 31, 2024, 2023 and 2022, respectively.

(8) Includes derivative instruments.

(9) Net return – net interest revenues divided by total interest-bearing assets.

(10) The change attributed to change in volume was calculated by multiplying the new price and the change in volume. The change attributed to change in price was calculated by multiplying the old volume and the change in price.

(11) Reclassified

Appendix 2 – Multi-period information

Consolidated statement of profit and loss – multi-period information

For the years ended December 31, 2020-2024

Reported amounts (NIS in millions)

	2024	2023	2022	2021	2020
Interest revenues	25,798	24,005	16,195	10,557	7,528
Interest expenses	13,984	12,030	5,955	2,872	1,708
Interest revenues, net	11,814	11,975	10,240	7,685	5,820
Expenses due to credit losses	519	1,463	532	(278)	1,050
Interest revenues, net after expenses with respect to credit losses	**11,295**	**10,512**	**9,708**	**7,963**	**4,770**
Non-interest revenues					
Non-interest financing revenues	574	511	754	401	221
Commissions	2,060	2,028	2,052	1,947	1,671
Other revenues	273	266	622	287	221
Total non-interest revenues	**2,907**	**2,805**	**3,428**	**2,635**	**2,113**
Operating and other expenses					
Payroll and associated expenses	3,431	3,544	4,029	3,536	2,644
Maintenance and depreciation of buildings and equipment	992	1,098	1,012	1,002	871
Other expenses	799	927	1,132	1,030	764
Total operating and other expenses	**5,222**	**5,569**	**6,173**	**5,568**	**4,279**
Pre-tax profit	8,980	7,748	6,963	5,030	2,604
Provision for taxes on profit	3,326	2,669	2,356	1,730	903
After-tax profit	**5,654**	**5,079**	**4,607**	**3,300**	**1,701**
Share in profit (loss) of associate companies, after tax	16	1	5	(10)	1
Net profit:					
Before attribution to non-controlling interests	5,670	5,080	4,612	3,290	1,702
Attributable to non-controlling interests	(215)	(170)	(140)	(102)	(92)
Attributable to shareholders of the Bank	**5,455**	**4,910**	**4,472**	**3,188**	**1,610**
Earnings per share[(1)] (in NIS)					
Basic earnings per share:					
Total net profit attributable to shareholders of the Bank	**21.12**	**19.07**	**17.47**	**12.47**	**6.70**
Diluted earnings per share:					
Total net profit attributable to shareholders of the Bank	**21.02**	**19.00**	**17.38**	**12.35**	**6.69**

(1) Share of NIS 0.1 par value.

Appendix 2 – Multi-period information – continued
Consolidated Balance Sheet – Multi-period information
As of December 31, 2020 – 2024
Reported amounts (NIS in millions)

	2024	2023	2022	2021	2020
Assets					
Cash and deposits with banks	82,644	86,550	93,673	95,267	86,570
Securities	28,491	23,071	15,144	15,033	17,290
Securities borrowed or purchased in resale agreements	264	106	315	1,332	200
Loans to the public	362,094	329,415	310,356	273,531	247,958
Provision for credit losses	(4,113)	(4,069)	(2,884)	(2,103)	(2,433)
Loans to the public, net	357,981	325,346	307,472	271,428	245,525
Loans to Governments	318	480	318	477	613
Investments in associated companies	263	242	127	69	31
Buildings and equipment	1,852	1,531	1,503	1,734	1,743
Intangible assets and goodwill	117	148	178	208	239
Assets with respect to derivatives	5,526	6,282	5,789	3,652	4,543
Other assets	8,187	4,448	3,773	3,071	3,386
Total assets	**485,643**	**448,204**	**428,292**	**392,271**	**360,140**
Liabilities and Equity					
Deposits from the public	393,383	358,553	344,514	307,924	284,224
Deposits from banks	2,599	4,571	6,994	6,992	3,779
Deposits from the Government	49	71	47	81	70
Bonds and subordinated notes	36,916	37,070	33,287	38,046	33,446
Liabilities with respect to derivatives	5,123	7,367	5,214	3,753	5,506
Other liabilities	14,844	11,869	13,368	13,746	13,446
Total liabilities	**452,914**	**419,501**	**403,424**	**370,542**	**340,471**
Shareholders' equity attributable to shareholders of the Bank	31,292	27,461	23,780	20,770	18,804
Non-controlling interests	1,437	1,242	1,088	959	865
Total equity	**32,729**	**28,703**	**24,868**	**21,729**	**19,669**
Total liabilities and equity	**485,643**	**448,204**	**428,292**	**392,271**	**360,140**

Appendix 3 – Multi-quarter information

Consolidated Statement of Profit and Loss by Quarter – for 2024

Reported amounts (NIS in millions)

	Fourth quarter	Third quarter	Second quarter	First quarter
Interest revenues	5,861	7,121	7,060	5,756
Interest expenses	3,108	3,965	3,840	3,071
Interest revenues, net	2,753	3,156	3,220	2,685
Expenses due to credit losses	105	130	109	175
Interest revenues, net after expenses with respect to credit losses	**2,648**	**3,026**	**3,111**	**2,510**
Non-interest revenues				
Non-interest financing revenues (expenses)	143	60	26	345
Commissions	528	514	516	502
Other revenues	67	67	73	66
Total non-interest revenues	**738**	**641**	**615**	**913**
Operating and other expenses				
Payroll and associated expenses	860	847	868	856
Maintenance and depreciation of buildings and equipment	253	246	251	242
Other expenses	213	196	209	181
Total operating and other expenses	**1,326**	**1,289**	**1,328**	**1,279**
Pre-tax profit	2,060	2,378	2,398	2,144
Provision for taxes on profit	700	898	893	835
After-tax profit	**1,360**	**1,480**	**1,505**	**1,309**
Share in net profits of associated companies, after tax	1	3	3	9
Net profit:				
Before attribution to non-controlling interests	1,361	1,483	1,508	1,318
Attributable to non-controlling interests	(55)	(58)	(56)	(46)
Attributable to shareholders of the Bank	**1,306**	**1,425**	**1,452**	**1,272**
Earnings per share[(1)] (in NIS)				
Basic earnings per share				
Total net profit attributable to shareholders of the Bank	**5.05**	**5.52**	**5.62**	**4.93**
Diluted earnings per share				
Total net profit attributable to shareholders of the Bank	**5.01**	**5.49**	**5.60**	**4.91**

(1) Share of NIS 0.1 par value.

Appendix 3 – Multi-quarter information – continued

Consolidated Statement of Profit and Loss by Quarter – for 2023

Reported amounts (NIS in millions)

	Fourth quarter	Third quarter	Second quarter	First quarter
Interest revenues	5,682	6,224	6,339	5,760
Interest expenses	2,993	3,265	3,158	2,614
Interest revenues, net	2,689	2,959	3,181	3,146
Expenses due to credit losses	295	694	247	227
Interest revenues, net after expenses with respect to credit losses	**2,394**	**2,265**	**2,934**	**2,919**
Non-interest revenues				
Non-interest financing revenues	(167)	341	250	87
Commissions	493	506	501	528
Other revenues	76	62	63	65
Total non-interest revenues	**402**	**909**	**814**	**680**
Operating and other expenses				
Payroll and associated expenses	702	902	1,009	931
Maintenance and depreciation of buildings and equipment	246	274	272	306
Other expenses	248	239	240	200
Total operating and other expenses	**1,196**	**1,415**	**1,521**	**1,437**
Pre-tax profit	1,600	1,759	2,227	2,162
Provision for taxes on profit	519	624	779	747
After-tax profit	**1,081**	**1,135**	**1,448**	**1,415**
Share in net profit (loss) of associated companies, after tax	-	-	-	1
Net profit:				
Before attribution to non-controlling interests	1,081	1,135	1,448	1,416
Attributable to non-controlling interests	(34)	(37)	(50)	(49)
Attributable to shareholders of the Bank	**1,047**	**1,098**	**1,398**	**1,367**
Earnings per share[(1)] (in NIS)				
Basic earnings per share				
Total net profit attributable to shareholders of the Bank	**4.06**	**4.27**	**5.43**	**5.32**
Diluted earnings per share				
Total net profit attributable to shareholders of the Bank	**4.04**	**4.24**	**5.41**	**5.30**

(1) Share of NIS 0.1 par value.

Appendix 3 – Multi-quarter information – continued

Consolidated balance sheet as of the end of each quarter in 2024

Reported amounts (NIS in millions)

	Fourth quarter	Third quarter	Second quarter	First quarter
Assets				
Cash and deposits with banks	82,644	79,342	85,912	84,653
Securities	28,491	30,829	25,370	23,466
Securities borrowed or purchased in resale agreements	264	448	280	274
Loans to the public	362,094	352,451	341,812	334,585
Provision for credit losses	(4,113)	(4,137)	(4,114)	(4,098)
Loans to the public, net	357,981	348,314	337,698	330,487
Loans to the Government	318	388	399	442
Investments in associated companies	263	249	245	259
Buildings and equipment	1,852	1,705	1,612	1,575
Intangible assets and goodwill	117	125	132	140
Assets with respect to derivatives	5,526	4,612	5,008	4,828
Other assets	8,187	6,367	5,028	4,559
Total assets	**485,643**	**472,379**	**461,684**	**450,683**
Liabilities and Equity				
Deposits from the public	393,383	385,119	373,579	365,371
Deposits from banks	2,599	1,816	2,433	3,603
Deposits from the Government	49	23	38	86
Bonds and subordinated notes	36,916	36,408	39,578	35,776
Liabilities with respect to derivatives	5,123	4,189	3,597	3,616
Other liabilities	14,844	13,015	11,646	12,363
Total liabilities	**452,914**	**440,570**	**430,871**	**420,815**
Equity attributable to equity holders of the Bank	31,292	30,408	29,464	28,578
Non-controlling interests	1,437	1,401	1,349	1,290
Total equity	**32,729**	**31,809**	**30,813**	**29,868**
Total liabilities and equity	**485,643**	**472,379**	**461,684**	**450,683**

Appendix 3 – Multi-quarter information – continued
Consolidated balance sheet as of the end of each quarter in 2023
Reported amounts (NIS in millions)

	Fourth quarter	Third quarter	Second quarter	First quarter
Assets				
Cash and deposits with banks	86,550	81,645	83,746	90,240
Securities	23,071	19,007	19,865	19,348
Securities borrowed or purchased in resale agreements	106	24	4	15
Loans to the public	329,415	327,471	320,165	315,416
Provision for credit losses	(4,069)	(3,881)	(3,240)	(3,097)
Loans to the public, net	325,346	323,590	316,925	312,319
Loans to the Government	480	667	525	531
Investments in associated companies	242	241	197	193
Buildings and equipment	1,531	1,447	1,438	1,399
Intangible assets and goodwill	148	155	163	170
Assets with respect to derivatives	6,282	7,319	5,831	6,257
Other assets	4,448	4,194	4,028	3,638
Total assets	**448,204**	**438,289**	**432,722**	**434,110**
Liabilities and Equity				
Deposits from the public	358,553	351,034	345,191	348,469
Deposits from banks	4,571	5,008	6,541	7,284
Deposits from the Government	71	24	29	32
Bonds and subordinated notes	37,070	36,655	36,546	34,608
Liabilities with respect to derivatives	7,367	6,095	4,833	5,988
Other liabilities	11,869	11,801	12,592	11,747
Total liabilities	**419,501**	**410,617**	**405,732**	**408,128**
Equity attributable to equity holders of the Bank	27,461	26,459	25,814	24,844
Non-controlling interests	1,242	1,213	1,176	1,138
Total equity	**28,703**	**27,672**	**26,990**	**25,982**
Total liabilities and equity	**448,204**	**438,289**	**432,722**	**434,110**

Appendix 4 – Additional information

Subsidiaries in which the Bank holds less than 50% of means of control

Had the Bank not consolidated the financial statements of Bank Yahav, the consolidated financial statements (excluding Bank Yahav) would have been similar to the Bank's (solo) financial statements as presented in Note 37 to the financial statements, except for the following material changes:

Balance sheet highlights (as of December 31, 2024)

- The balance of investment in associated companies would have been lower by NIS 4.1 billion.
- The balance of deposits from the public would have been lower by NIS 35.1 billion.
- The balance of bonds and subordinated notes would have been higher by NIS 34.6 billion.

Profit and loss highlights (for 2024)

- Total non-interest revenues would have been higher by NIS 136 million.
- The share of net profit of associated companies, after tax effect, would have been lower by NIS 214 million.

Balance sheet highlights (as of December 31, 2023)

- The balance of investment in associated companies would have been lower by NIS 3.7 billion.
- The balance of deposits from the public would have been lower by NIS 35.2 billion.
- The balance of bonds and subordinated notes would have been higher by NIS 34.5 billion.

Profit and loss highlights (for 2023)

- Total non-interest revenues would have been higher by NIS 169 million.
- The share of net profit of associated companies, after tax effect, would have been lower by NIS 213 million.

Glossary of terms included in the annual financial statements

Below is a summary of terms included on the financial statements and index for these terms

Terms pertaining to risk management and capital adequacy at the Bank

B	**Basel – Basel II / Basel III** – A framework for assessing capital adequacy and risk management, published by the Basel Committee on Banking Supervision.
C	**Counter-party credit risk** – The risk that the other party to a transaction would default before final settlement of cash flows in the transaction.
	CVA – Credit Valuation Adjustment – CVA is the component of the fair value of a derivative, which accounts for the credit risk of the counter-party to the transaction. CVA risk is the risk of loss from revaluation to market value due to expected counter-party risk for over-the-counter (OTC) derivatives. That is to say, loss due to impairment of fair value of derivatives, due to an increase in counter-party credit risk (such as: rating downgrade).
E	**EVE – Economic Value of Equity –** The economic value approach used to analyze and assess the effect of changes in interest rates on the fair value of assets, liabilities and off-balance sheet positions of the Bank.
I	**ICAAP – Internal Capital Adequacy Assessment Process** by the Bank. The process includes, among other things, setting capital targets, capital planning processes and assessment of the status of capital under a range of stress scenarios. This process constitutes a part of Pillar 2 of the Basel II directive.
L	**Loan to Value (LTV)** – The ratio between the approved facility when extended and the asset value.
M	**Minimum capital ratio** – The ratio represents the minimum regulatory capital ratios which the Bank is required to maintain, pursuant to the provisions of Proper Conduct of Banking Business Directive 201.
P	**Pillar 2** – The second pillar of the Basel II framework, referring to the regulatory review process. This part is composed of the following underlying principles: The Bank shall conduct an ICAAP, as defined above. The Supevisor of Banks shall conduct a process to assess the bank's capital adequacy assessment process, and its ability to monitor and comply with regulatory capital ratios. The bank is expected to operate above the minimum capital ratios which were set out.
	Pillar 3 – The third pillar of the Basel II framework, designed to promote market discipline by developing a set of disclosure requirements that would allow market participants to assess capital, risk exposure and risk assessment processes, and accordingly – assess the bank's capital adequacy.
R	**Regulatory capital (total capital)** – Regulatory capital is composed of two tiers: Tier I capital, which includes common equity Tier I capital and additional Tier I capital. Tier II capital. As defined in Proper Conduct of Banking Business Directive 202 - Measurement & Capital Adequacy - Regulatory Capital.
	Risk assets – These consist of credit risk, operational risk and market risk, calculated using the standard approach as stated in Proper Conduct of Banking Business Directives 201-211.
	Risks document – A document which summarizes the Bank's risk profile, in order to allow the Board of Directors to monitor action taken by management and to ensure that such action is in line with the risk appetite and with the risks management framework approved by the Board of Directors. The risks document is reported and presented to the Board of Directors every quarter.
S	**SOFR (Secured Overnight Financing Rate)** – an interest rate used by banks to price USD-linked derivatives and loans. This interest rate is based on transactions where investors offer to banks loans secured by their bonds. The Federal Reserve started publishing this rate in April 2018, as part of the effort to replace the LIBOR interest.
	Standard approach – An approach used to calculate the required capital with respect to credit risk, market risk or operational risk. The capital allocation is calculated using a formula which is based on regulatory assessment components defined by the Supervisor of Banks.
S	**Stress tests** – a range of methods designed to assess the financial position of a banking corporation under a stress scenario.
	Subordinated obligatory notes – notes whose rights are subordinated to claims by other Bank creditors, except for other obligatory notes of the same type.
V	**VAR –** A model used to assess total exposure to various market risks. The VAR (Value at Risk) arising from the model is a statistical estimate of the maximum potential loss the Bank may suffer due to materialization of market risks in a given period at a pre-determined statistical confidence level.

Glossary and index of terms included in the annual financial statements

As of December 31, 2024

Banking and finance terms

A	**Active market** – Market where transactions involving an asset or liability are conducted with sufficient frequency and volume to provide regular information about pricing of assets and liabilities.
	Average duration – Average duration of bonds. Measured in years, by weighting principal and interest payments for the bond over its life, through final maturity. The average duration of bonds reflects the financial instrument's sensitivity to changes in interest rates. Average duration is calculated as the ratio of weighted average payments to price of the bond.
B	**Bonds** – Securities which are an issuer's undertaking to pay to bond holders the issued principal and interest on set dates or upon fulfillment of certain conditions.
D	**Debt secured by collateral** – Impaired debt expected to be repaid by realizing collateral provided to secure it.
	Debt under re-structuring – Troubled debt under re-structuring is defined as debt for which, for economic or legal reasons related to financial difficulties of the debtor, the Bank has made a concession by way of a modification to the terms of the debt, in order to ease the burden on the debtor of cash payments in the near term (reduction or deferral of cash payments due from the debtor), or by way of receiving other assets as debt repayment (in whole or in part).
	Debt under special supervision – Debt under special supervision is debt with potential weaknesses that require special attention from the Bank's management. If such weaknesses are not addressed, the likelihood of debt repayment may decline.
	Derivatives – A financial instrument or contract whose value changes in response to changes in the price of the underlying asset (a financial instrument, physical asset, price index, credit rating or other underlying assets), requires a small or minimal initial investment, compared to other contract types, and is expected to be settled on a future date.
F	**Financial instrument** – A contract that creates a financial asset for one entity and a financial liability or capital instrument for another entity.
I	**Impaired debt** – A debt will be classified as an impaired debt when payment of principal or interest with respect to such debt is in arrears 90 days or longer, unless the debt is well secured and is being collected. Furthermore, any debt whose terms and conditions have been modified in a re-structuring of troubled debt shall be classified as an impaired debt, unless prior to and following such re-structuring, a provision for credit losses by extent of arrears has been made for such debt, in accordance with the appendix to Proper Conduct of Banking Business Directive 314 regarding problem debts in residential mortgages.
	Indebtedness – On- and off-balance sheet credit, as defined in Proper Conduct of Banking Business Directive 313.
O	**Off-balance sheet credit** – engagements for provision of credit and guarantees (excluding derivative instruments).
	OTC – Over the Counter – Transaction involving financial instruments conducted over the counter rather than on a stock exchange.
R	**Recorded debt balance** – The debt balance, including recognized accrued interest, un-amortized premium or discount, net deferred commissions or net deferred costs charged to the debt balance and not yet amortized, net of any debt amount subject to accounting write-off.
S	**Subordinated debt** – a subordinated debt is a debt which is insufficiently secured by collateral or by debtor repayment capacity, and for which the Bank may incur a loss if deficiencies are not corrected, including debt over NIS 700 thousand which is 60-89 days in arrears.
	Syndication – Loan extended jointly by a group of lenders.
T	**Troubled debts** – Debts classified under one of the following negative classifications: Special supervision, subordinate or impaired.

Terms with regard to regulatory directives

E	**EMIR - European Market Infrastructure Regulation** – EU regulations adopted in order to increase stability, transparency and efficiency of derivative markets.
F	**FATCA – Foreign Accounts Tax Compliance Act** – The US Foreign Accounts Tax Compliance Act (FATCA) stipulates mandatory reporting to the US tax authority (IRS) of accounts held by US persons with foreign financial institutions (outside the USA).
L	**LCR – Liquidity Coverage Ratio** – defined as the ratio of High Quality Liquid Assets and net cash outflow for the next 30 days, under a stress scenario. This ratio is a measure of the Bank's ability to meet its liquidity needs for the forthcoming month.

Bank Mizrahi Tefahot

Periodic report

2024

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To
Israel Securities Authority
22 Kanfey Nesharim Street
Jerusalem 95464

Dear Sir/Madam,

Re: 2024 Periodic Report

Pursuant to the Securities Regulations (Periodic and immediate reports), 1970, we hereby present the Bank's 2024 periodic report.

Corporate information

Name of Corporation:	Bank Mizrahi Tefahot Ltd.
Company ID with Registrar:	520000522
Corporation's address of record:	7 Jabotinsky Street, Ramat Gan
Corporation's telephone:	03-7559219 fax: 03-7559923
Balance Sheet Date:	December 31, 2024
Report date:	February 26, 2025,
Reported period:	2024

Regulation 9 – Financial statements

This periodic report includes the Report of the Board of Directors and Management, Description of Bank Group Business and the opinion of the Bank's Independent Auditor dated February 26, 2025.

Regulation 10c – Use of proceeds from securities pursuant to prospectus

No securities were issued pursuant to a prospectus in the reported period.

Regulation 11 – List of investments in subsidiaries and key affiliates as of December 31, 2024

	Share ID on the Stock Exchange	Shares held by the Bank		
		Share class	**Number of shares**	**Total par value (in NIS)**
Bank Yahav for Government Employees Ltd.	Non-negotiable	Ordinary NIS 0.01	243,899	2,439
		Base NIS 0.01 par value	1	[1]-
		Ordinary NIS 0.01 par value	1	[1]-
Mizrahi Tefahot Issue Company Ltd.	Non-negotiable	Ordinary NIS 1	10,703,000	10,703,000
Mizrahi Tefahot Issue Company Ltd.	Non-negotiable	Ordinary NIS 1	10,703,000	10,703,000
Mizrahi Tefahot INVEST Ltd.	Non-negotiable			
Mizrahi Tefahot Leasing Ltd.	Non-negotiable	Ordinary NIS 1	1,000	1,000

(1) Less than NIS 1.

				Capital investments and other investments		
Cost of share purchase	**Adjusted carrying amount**	**Loan balance**	**(Obligatory notes / bonds)**			**Holding stake**
NIS in thousands		**NIS in millions**		**Of capital**	**Of voting rights (in %)**	**of right to appoint Board members**
419,184	1,038	-	-	50.0	50.0	50.0
1	1,200	-	-	100.0	100.0	100.0
10703		-	-	100.0	100.0	100.0
27,485		-	139	100.0	100.0	100.0
701	864	2,329	700	100.0	100.0	100.0

Regulation 13 – Revenues of subsidiaries and key affiliates and Bank revenues there from[1]

NIS in millions

	For the year ended December 31, 2024				
Company name	**Net profit[2]**	**Pre-tax profit[2]**	**Interest**	**Management fee**	**Dividends**
Bank Yahav for Government Employees Ltd.	429	685	-	-	-
Tefahot Insurance Agency (1989) Ltd.	89	114	12	-	-
Mizrahi Tefahot Issue Company Ltd.	6	4	-	-	-
Mizrahi Tefahot INVEST Ltd.	30	31	-	-	-
Mizrahi Tefahot Leasing Ltd.	93	120	74	-	-

(1) Only results of subsidiaries and affiliates with significant information are presented.
(2) As reported by the companies.

Regulation 14 – List of loan balance groups as of the balance sheet date

See Note 30.C to the financial statements.

Regulation 20 - Trading on stock exchange – securities listed for trading – dates and reasons for trading halts

During the reported period, 392,872 ordinary shares of NIS 0.1 par value each were listed for trading due to options exercise by Bank managers pursuant to an option plan. For more information see Note 23 to the financial statements.

During the reported period, there were no trading halts on the stock exchange.

Regulation 21 – Remuneration of interested parties and senior officers

For more information about remuneration of interested parties and senior officers in 2024, see "Details of senior officer remuneration" in chapter "Corporate Governance" of the financial statements, as well as chapter "Remuneration" on the Risks Report available on the Bank website.

Payments to members of the Bank Board of Directors, including VAT (except for payments to the Chairman of the Board of Directors) in 2024 amounted to NIS 6 million. Total pay and associated expenses for the former Chairman of the Board of Directors, the current Chairman of the Board of Directors and the Bank President & CEO amounted to NIS 9 million (for more information see Notes 22.A, 23.B and 34.C to the financial statements, as well as the section "Details of senior officer remuneration" in the "Corporate Governance” chapter of the financial statements).

Regulation 21a – Names of controlling shareholders of the corporation

For details of the names of controlling shareholders of the corporation, see "Controlling shareholders" in chapter "Corporate governance" of the financial statements.

Regulation 22 – Transactions with controlling shareholder

For more information about transactions with controlling shareholders in 2024, see "Transactions with controlling shareholders and related parties" in chapter "Corporate governance" of the financial statements.

Regulation 24 – Shares and securities held by interested parties in the corporation
As of February 17, 2025

Ordinary shares NIS 0.1 par value and other securities of the Bank held by interested parties (security ID on the stock exchange – 0695437):

Name of interested party[1]	Company ID with Registrar	Number of Shares	Holding stake in %	Number of options	Holding stake, fully diluted
L.A.B.M. (Holdings) Ltd.[2]	51-2008442	33,739,930	13.02	-	12.30
L.I.N. (Holdings) Ltd. [2]	51-1349896	20,746,277	8.01	-	7.56
F & W (Registered Partnership)[3]	54-0183118	33,812,844	13.05	-	12.32
M.W.Z. Holdings Ltd.[3]	51-2024225	18,780,468	7.25	-	6.84
Harel Group[4]	520033986	13,245,317	5.11	-	4.82
Moshe Lari		-	-	84,259	0.01
Menahem Aviv		-	-	104,289	0.01
Ofer Horvitz		-	-	96,037	0.01
Meital Haroush		-	-	109,767	0.01
Galit Weizer		-	-	104,288	0.01
Ayala Hakim		-	-	142,649	0.01
Teri Esther Yaskil		-	-	127,210	0.01
Ofir Morad		-	-	143,961	0.01
Rachel Friedman		-	-	104,288	0.01
Adi Shachaf		-	-	141,294	0.01
Shevy Shemer		-	-	119,680	0.01
Micha Argaman		-	-	116,017	0.01
Tal Ben Ari		-	-	108,017	0.01
Chanan Kikuzashvili		-	-	45,798	-
Public		138,841,468	53.56	[5]6,628,825	56.03
Total		**259,166,304**	**100.00**	**8,176,379**	**100.00**

(1) For more information about holdings of interested parties and agreements between controlling shareholders, see section "Controlling shareholders" in chapter "Corporate governance" of the financial statements.

(2) Ofer Group company.

(3) Wertheim Group company.

(4) As of December 31, 2022; Changes subsequent to this date are reflected under "Public".

(5) Includes option plan approved for Bank employees, other than interested parties, pursuant to Regulation 24 of the Securities Regulations (Periodic and Immediate Reports), 1970.

Regulation 24a – Registered capital, issued capital and convertible securities(1)

Pursuant to Section 24a of the Securities Regulations, below is information about registered capital, issued capital and convertible securities (in NIS):

	Registered		Issued and paid-in	
	December 31		December 31	
	2024	2023	2024	2023
Ordinary shares, NIS 0.1 par value(2)	400,000,000	400,000,000	258,520,066	258,127,194

(1) For allotment of stock options – see Note 23 to the financial statements.
(2) The shares are listed for trading on the Tel Aviv Stock Exchange.

During the reported period, the issued and paid-in share capital increased by NIS 39,287 due to options exercised for shares by Bank managers.
All shares confer identical voting rights.

Regulation 24b – Shareholder registry as of February 17, 2025

	Number of Shares	Holding stake
Wertheim Group		
M.W.Z. Holdings Ltd.	53	-
F & W (Registered Partnership)	29,275,441	11.30
Total – Wertheim Group	**29,275,494**	**11.30**
Ofer Group		
L.A.B.M. (Holdings) Ltd.	29,512,972	11.39
Total – Ofer Group	**29,512,972**	**11.39**
Mizrahi Tefahot Registration Company Ltd.	**200,377,835**	**77.31**
Fishman Mordechai	**3**	**-**
Grand total	**259,166,304**	**100.00**

	Number of options
Registry of option holders	
Options to employee Mizrahi Tefahot AP 2021	365,784
Options to employee Mizrahi Tefahot AP 2022	741,729
Options to employee Mizrahi Tefahot AP 2023	3,421,078
Options to employee Mizrahi Tefahot AP 2024	3,647,788
Total	**8,176,379**

Registry of holders of subordinated(2) capital notes

	Number of capital notes
Registry of holders of subordinated capital notes – Series A (Holder: Registration Company)	**600,000,000**

Regulation 26 – Board members of the Bank

Below is information about Board members of the Bank as of the report issue date:

Avraham Zeldman - Chairman of the Board of Directors(1)(3)

ID	05795919
Year of birth	1948
Formal Address	6 Shivtey Israel Street, Ra'anana
Citizenship	Israeli
Membership of Board of Directors' committees	Credit Committee – Chairman; IT and Technology Innovation Committee.
Start date in office as member of the Bank's Board of Directors	February 26, 2015
Education	Studied statistics and economics, no degree award (Haifa University), certificate studies in business administration (Haifa University).
Current occupation	Director and as from June 16, 2024 Chairman, Board of Directors of Bank Mizrahi-Tefahot Ltd., Director and CEO, A. Zeldman Management Ltd.; Executive Board member, MATI Raanana and Executive Board member, Dualis Fund for Social Investments.
Previous occupation (in past 5 years, other than current occupation)	Chairman of the Board of Directors of Fox Wiezel Ltd., Advisor to Polyurethane Ltd.
External Board member as defined in Proper Conduct of Banking Business Directive 301	No
External Board member as defined in the Companies Law	No
Independent Board member	No
Has accounting and financial expertise?	Yes
Has professional qualifications?	Yes
Expert Board member(2)	Yes
Employed by the corporation, subsidiary, affiliate or an interested party?	No
Family member of another interested party in the corporation?	No
Board member regarded by the corporation as having accounting and financial expertise for meeting the minimum number specified by the Board?	Yes

(1) "Has banking experience", as this term is defined in Proper Conduct of Banking Business Directives issued by the Supervisor of Banks.
(2) As this term is defined in the Companies Regulations (Rules for remuneration and expense reimbursement for external board members), 2000.
(3) Has been serving as the Chairman of the Board of Directors since June 2024.

Regulation 26 – Board members of the Bank – continued

Eli Alroy

ID	050606318
Year of birth	1951
Formal Address	24 Amirim, Savyon
Citizenship	Israeli
Membership of Board of Directors' committees	IT and Technology Innovation Committee, Credit Committee
Start date in office as member of the Bank's Board of Directors	June 25, 2019
Education	B.Sc. In Sciences, specialized in civil engineering, Technion Israeli Technology Institute, 1974. M.Sc. in Sciences, Stanford University, California, USA, 1982.
Current occupation	Board member of Bank Mizrahi Tefahot Ltd., Member of O.G. Advisory committee; Board member of L.I.N (Holdings) Ltd., CEO and Board member of A.I.R.A.D Investments Ltd., Board member of L.I.N Innovation Ltd., Board member of L.A.B.M (Holdings) Ltd., Board member of L.I.N (Investments) HoldCo Ltd., Board member of L.I.N Investments Ltd., Board member of L.I.N–L.A.B.M Holdings Ltd., and Board member of Reichman University.
Previous occupation (in past 5 years, other than current occupation)	Board member of the following: OG Tech Partners Ltd. (end of tenure on May 1, 2020) and Globalworth Real Estate Investment Limited (end of tenure on March 30, 2020), Amkiri Ltd. (under voluntary liquidation) (end of tenure on June 19, 2022).
External Board member as defined in Proper Conduct of Banking Business Directive 301	No
External Board member as defined in the Companies Law	No
Independent Board member	No
Has accounting and financial expertise?	No
Has professional qualifications?	Yes
Expert Board member[1]	Yes
Employed by the corporation, subsidiary, affiliate or an interested party?	No
Family member of another interested party in the corporation?	No
Board member regarded by the corporation as having accounting and financial expertise for meeting the minimum number specified by the Board?	No

(1) As this term is defined in the Companies Regulations (Rules for remuneration and expense reimbursement for external board members), 2000.

Regulation 26 – Board members of the Bank – continued

Ron Gazit[1]

ID	050688605
Year of birth	1951
Formal Address	8 Herzel Rosenblum Street, Tel Aviv
Citizenship	Israeli
Membership of Board of Directors' committees	IT and Technology Innovation Committee, Credit Committee
Start date in office as member of the Bank's Board of Directors	December 14, 2003
Education	Undergraduate degree (LLB) Law degree, Attorney – Tel Aviv University
Current occupation	Board member of Bank Mizrahi Tefahot Ltd., Legal and economic advisor to Tanzanite Capital Ltd.
Previous occupation (in past 5 years, other than current occupation)	
External Board member as defined in Proper Conduct of Banking Business Directive 301	No
External Board member as defined in the Companies Law	No
Independent Board member	No
Has accounting and financial expertise?	No
Has professional qualifications?	Yes
Expert Board member[2]	Yes
Employed by the corporation, subsidiary, affiliate or an interested party?	No
Family member of another interested party in the corporation?	No
Board member regarded by the corporation as having accounting and financial expertise for meeting the minimum number specified by the Board?	No

(1) "Has banking experience", as this term is defined in Proper Conduct of Banking Business Directives issued by the Supervisor of Banks.
(2) As this term is defined in the Companies Regulations (Rules for remuneration and expense reimbursement for external board members), 2000.

Regulation 26 – Board members of the Bank – continued

Estheri Giloz-Ran

ID	025682154
Year of birth	1974
Formal Address	10 Ariel Sharon St. Giv'atayim
Citizenship	Israeli
Membership of Board of Directors' committees	Audit, Remuneration, IT and Technology Innovation Committees.
Start date in office as member of the Bank's Board of Directors	February 27, 2021
Education	BA in Humanities – Management (Open University); CPA (Management College); MBA in Business Administration (Ben Gurion University); PhD in Accounting and Taxes (Ben Gurion University).
Current occupation	Board member of Bank Mizrahi Tefahot Ltd., advisor providing legal opinions, Board member of the following: External Board member of Orda Print Industries Ltd., M. external Board member of Yohananof and Sons (1988) Ltd., external Board member of Netanel Group Ltd., external Board member of Aran Research and development (1982) Ltd., and of Aminach Furniture and Mattress Industries Ltd., independent Board member of Imagesat International (ISI) Ltd., Director of Audit Committee of The Association for the Israel Soldiers.
Previous occupation (in past 5 years, other than current occupation)	Member, Testing Board of the Institute of Certified Public Accountants in Israel. Has served as Board member of the following companies: Independent Board member of Blue Square Real Estate Ltd. and external Board member of Overseas Commerce.
External Board member as defined in Proper Conduct of Banking Business Directive 301	Yes
External Board member as defined in the Companies Law	Yes
Independent Board member	Yes
Has accounting and financial expertise?	Yes
Has professional qualifications?	Yes
Expert Board member[1]	Yes
Employed by the corporation, subsidiary, affiliate or an interested party?	No
Family member of another interested party in the corporation?	No
Board member regarded by the corporation as having accounting and financial expertise for meeting the minimum number specified by the Board?	Yes

(1) As this term is defined in the Companies Regulations (Rules for remuneration and expense reimbursement for external board members), 2000.

Regulation 26 – Board members of the Bank – continued

Moshe Vidman[(1)(3)]

ID	690875
Year of birth	1943
Formal Address	9 Katzenelson Street, Tel Aviv
Citizenship	Israeli
Membership of Board of Directors' committees	Audit, Risks Management.
Start date in office as member of the Bank's Board of Directors	August 2, 2010
Education	Undergraduate degree – Economics and Political Science, Hebrew University, Jerusalem. MBA (Financing), Hebrew University, Jerusalem.
Current occupation	Board member of Bank Mizrahi Tefahot Ltd., on a voluntary basis: Member, Executive Board of the United Jerusalem Foundation Ltd.; Member, Board of Trustees of the Hebrew University, Jerusalem.
Previous occupation (in past 5 years, other than current occupation)	From December 1, 2012 through June 15, 2024 served as Chairman of the Board of Directors of Bank Mizrahi Tefahot Ltd., Executive Board member of the Magnes Press.
External Board member as defined in Proper Conduct of Banking Business Directive 301	No
External Board member as defined in the Companies Law	No
Independent Board member	No
Has accounting and financial expertise?	Yes
Has professional qualifications?	Yes
Expert Board member[(2)]	Yes
Employed by the corporation, subsidiary, affiliate or an interested party?	No
Family member of another interested party in the corporation?	No
Board member regarded by the corporation as having accounting and financial expertise for meeting the minimum number specified by the Board?	Yes

(1) "Has banking experience", as this term is defined in Proper Conduct of Banking Business Directives issued by the Supervisor of Banks.
(2) As this term is defined in the Companies Regulations (Rules for remuneration and expense reimbursement for external board members), 2000.
(3) Through June 2024 - served as the Chairman of the Board of Directors.

Regulation 26 – Board members of the Bank – continued

Hannah Feuer[1]

ID	053549523
Year of birth	1955
Formal Address	13 HaChermesh Street, Savyon
Citizenship	Israeli
Membership of Board of Directors' committees	Remuneration – Chair, Audit, Credit
Start date in office as member of the Bank's Board of Directors	August 30, 2018
Education	Undergraduate degree in Sociology (Tel Aviv University) and additional accounting studies with no academic degree awarded (California State University Northridge (CSUN)) required for CPA qualification tests in the State of California.
Current occupation	Board member of Bank Mizrahi Tefahot Ltd.; Member of the Executive Committee of Mahapach Toda'ati (Non-Profit).
Previous occupation (in past 5 years, other than current occupation)	
External Board member as defined in Proper Conduct of Banking Business Directive 301	Yes
External Board member as defined in the Companies Law	Yes
Independent Board member	Yes
Has accounting and financial expertise?	Yes
Has professional qualifications?	Yes
Expert Board member[2]	Yes
Employed by the corporation, subsidiary, affiliate or an interested party?	No
Family member of another interested party in the corporation?	No
Board member regarded by the corporation as having accounting and financial expertise for meeting the minimum number specified by the Board?	Yes

(1) "Has banking experience", as this term is defined in Proper Conduct of Banking Business Directives issued by the Supervisor of Banks.
(2) As this term is defined in the Companies Regulations (Rules for remuneration and expense reimbursement for external board members), 2000.

Regulation 26 – Board members of the Bank – continued

Joseph Fellus

ID	051641025
Year of birth	1953
Formal Address	11 Yehuda HaLevi, Raanana
Citizenship	Israeli
Membership of Board of Directors' committees	Audit – Chair, Credit; Risks Management; Remuneration.
Start date in office as member of the Bank's Board of Directors	August 20, 2019
Education	BA in Economics and Accounting (Tel Aviv University), CPA (Tel Aviv University), Practical Engineer in Electronics (Technicum Yad Singalovski).
Current occupation	Board member of Bank Mizrahi Tefahot Ltd., Board member of: Kaitz BeYafo Ltd., Massa Kaitz Ltd., Hayde Yafo Ltd., Meitav HaTene Holdings (1977) Ltd., Meitav HaTene Land Holdings Ltd., K Tesoro Ltd., Skuba YB Ltd. Chairman of the Board of Directors and CEO of Joseph Fellus Accountants Ltd.
Previous occupation (in past 5 years, other than current occupation)	Partner, CPA firm.
External Board member as defined in Proper Conduct of Banking Business Directive 301	Yes
External Board member as defined in the Companies Law	Yes
Independent Board member	Yes
Has accounting and financial expertise?	Yes
Has professional qualifications?	Yes
Expert Board member[(1)]	Yes
Employed by the corporation, subsidiary, affiliate or an interested party?	No
Family member of another interested party in the corporation?	No
Board member regarded by the corporation as having accounting and financial expertise for meeting the minimum number specified by the Board?	Yes

(1) As this term is defined in the Companies Regulations (Rules for remuneration and expense reimbursement for external board members), 2000.

Regulation 26 – Board members of the Bank – continued

Jonathan Kaplan[1]

ID	055251391
Year of birth	1958
Formal Address	2 Haim Zakay Street, Petach Tikva
Citizenship	Israeli
Membership of Board of Directors' committees	Credit, Risks Management, IT and Technology Innovation.
Start date in office as member of the Bank's Board of Directors	May 12, 2011
Education	Undergraduate degree in Economics and Accounting (Tel Aviv University); CPA; graduate degree in Political Science and National Security (Haifa University; National Security College, Tel Aviv).
Current occupation	Board member of Bank Mizrahi Tefahot Ltd., Advisor to various entities on management and economic issues. Owner and advisor to Yoni Kaplan Consulting and Investments Ltd. Board member of: Central Soft Drinks Company Ltd., International Beer Breweries Ltd., Vilar International Ltd. (Chairman).
Previous occupation (in past 5 years, other than current occupation)	Director in Novolog (Pharm-Up 1966) Ltd. (end of tenure on November 13, 2022)
External Board member as defined in Proper Conduct of Banking Business Directive 301	No
External Board member as defined in the Companies Law	No
Independent Board member	No
Has accounting and financial expertise?	Yes
Has professional qualifications?	Yes
Expert Board member[2]	Yes
Employed by the corporation, subsidiary, affiliate or an interested party?	No
Family member of another interested party in the corporation?	No
Board member regarded by the corporation as having accounting and financial expertise for meeting the minimum number specified by the Board?	Yes

(1) "Has banking experience", as this term is defined in Proper Conduct of Banking Business Directives issued by the Supervisor of Banks.
(2) As this term is defined in the Companies Regulations (Rules for remuneration and expense reimbursement for external board members), 2000.

Regulation 26 – Board members of the Bank – continued

Ilan Kremer

ID	059841742
Year of birth	1967
Formal Address	7 HaDror Street, Mevaseret Zion
Citizenship	Israeli
Membership of Board of Directors' committees	Risk Management
Start date in office as member of the Bank's Board of Directors	March 27, 2019
Education	Undergraduate degree in Physics and Computer Science (Hebrew University in Jerusalem), graduate degree in Computer Science (Hebrew University in Jerusalem), PhD in Financing (Northwestern University, Evanston Illinois).
Current occupation	Board member of Bank Mizrahi Tefahot Ltd.; Professor of Economics and Financing at Hebrew University, Professor of Economics at Warwick University, UK.
Previous occupation (in past 5 years, other than current occupation)	
External Board member as defined in Proper Conduct of Banking Business Directive 301	No
External Board member as defined in the Companies Law	No
Independent Board member	No
Has accounting and financial expertise?	Yes
Has professional qualifications?	Yes
Expert Board member(1)	Yes
Employed by the corporation, subsidiary, affiliate or an interested party?	No
Family member of another interested party in the corporation?	No
Board member regarded by the corporation as having accounting and financial expertise for meeting the minimum number specified by the Board?	Yes

(1) As this term is defined in the Companies Regulations (Rules for remuneration and expense reimbursement for external board members), 2000.

Regulation 26 – Board members of the Bank – continued

Gilad Rabinobich

ID	057153603
Year of birth	1961
Formal Address	7 Mitzpeh Street, Shoham
Citizenship	Israeli
Membership of Board of Directors' committees	IT and Technology Innovation Committee – Chair; Audit, Risks Management, Remuneration.
Start date in office as member of the Bank's Board of Directors	March 12, 2019
Education	Undergraduate degree in Economics (Bar Ilan University), Graduate degree in Israeli Studies (Haifa University), Programming course (IDF) and system analysis course (IDF).
Current occupation	Board member of Bank Mizrahi Tefahot Ltd.; Owner and CEO of strategic technology consulting company A.T. Strategy Pillars Ltd., guest lecturer in business administration, technology and entrepreneurship, Ono Academic campus, owner and CEO of Gilad Rabinobich Ltd. Director at WECOM Ltd. Member of the Shoham Local Counsil.
Previous occupation (in past 5 years, other than current occupation)	CEO, SQLink Ltd., CEO, R.G.Y.H.G Ltd. Board member (volunteer) of Tzofan – High Tech Centers Ltd. Chairman (volunteer) of Executive Board of Be'eri Pre-Military School.
Has experience, expertise and qualifications in information and cyber security.	Has experience, expertise and qualifications in information and cyber security due, *inter alia*, to holding office as follows: CEO SQLink Ltd. (2019-2021), CEOm EDG Middle East (2007-2010). Furthermore, consulting and creating technology and information security tenders for a range of companies (2011 to date).
External Board member as defined in Proper Conduct of Banking Business Directive 301	Yes
External Board member as defined in the Companies Law	Yes
Independent Board member	Yes
Has accounting and financial expertise?	Yes
Has professional qualifications?	Yes
Has proven knowledge and experience in IT[1]	Yes
Expert Board member[(2)]	Yes
Employed by the corporation, subsidiary, affiliate or an interested party?	No
Family member of another interested party in the corporation?	No
Board member regarded by the corporation as having accounting and financial expertise for meeting the minimum number specified by the Board?	Yes

(1) As this term is defined in Proper Conduct of Banking Business Directives issued by the Supervisor of Banks.
(2) As this term is defined in the Companies Regulations (Rules for remuneration and expense reimbursement for external board members), 2000.

Regulation 26 – Board members of the Bank – continued

Below is additional information about Board members with accounting and financial qualifications

Avraham Zeldman

Studied Statistics and Economics, certificate studies in Business Administration (not eligible for degree).

Mr. Zeldman has served as Board member of the Bank since February 2015 and as the Chairman of the Bank's Board of Directors since June 2024. Prior to his tenure as the Chairman of the Board of Directors, Mr. Zeldman served as member of the Audit Committee and the Risk Management Committee. Currently, Mr. Zeldman serves as member of the Credit Committee - Chairman, Risk Management Committee - Chairman, and the IT and Technology Innovation Committee.

In December 2020 Mr. Zeldman was appointed as Chairman of the committee for monitoring the Union Bank merger and its absorption by the Bank (the committee ended its activity on January 23, 2023). Furthermore, Mr. Zeldman served as member of the independent committee set up by the Board of Directors in connection with the investigation by the US Department of Justice.

Mr. Zeldman has held senior positions at Bank Leumi Group, as follows: Executive with Bank Leumi (1987-2000), CEO of Leumi Partners Ltd. (2000-2010) and Chairman of the Board of Directors of Bank Leumi LeMashkantaot Ltd. (1987-2010).

Mr. Zeldman has also served as Board member of other public companies and as Chairman of the Board of Directors of Fox Wiezel Ltd.

Estheri Giloz-Ran

BA in Social Sciences – Management, CPA, MBA in Business Administration and PhD in Accounting and Taxes.

Ms. Giloz-Ran serves as external Board member of the Bank as from February 2021. She currently serves as member of the Audit Committee, Remuneration Committee, IT Committee and Technology Innovation Committee.

Ms. Giloz-Ran has served as Head of the Accounting Department and as lecturer in the Business Administration Department at Peres Academic Center (2011-2017); Ms. Giloz-Ran has also served as member of the Professional Council of the Institute of Certified Public Accountants in Israel (2018-2020) and has served as member of the Testing Committee of the Institute of Certified Public Accountants in Israel (2018-2020).

Ms. Giloz-Ran also serves, inter alia, as external Board member and member of the Audit Committee of public companies with significant business volume (for some also serves as Chair of the Audit Committee) and provides opinions for use in Court (significant volume) on business and accounting matters and on matters related to financial statements (since 2015).

Moshe Vidman

Undergraduate degree in Economics and Political Science and graduate degree in Business Administration (Financing).

Mr. Vidman has served as Board member of the Bank since August 2010 and serves as Chairman of the Bank Board of Directors as from December 2012 through June 2024. Through his tenure as Chairman of the Board of Directors, Mr. Vidman has also served as member of the Bank's Audit Committee. During his tenure as Chairman of the Board of Directors, Mr. Vidman served as Chairman of the Risk Management Committee, Chairman of the Credit Committee and member of the IT and Technology Innovation Committee. Currently, Mr. Vidman serves as a member of the Risk Management and Audit Committees.

Previously, Mr. Vidman has served, inter alia, as Member of the Board of Directors of Bank Leumi Le-Israel Ltd. (2004-2010) and as member of the Audit Committee of Bank Leumi Le-Israel Ltd. (For 3 years); as Board member and member of the Audit Committee and Finance Committee of the Israel Corporation Ltd.; as Board member and Chairman of the Audit Committee of Partner Communications Ltd.; and as Board member of other public companies with significant business volumes, including ICL Ltd. and Melisron Ltd.

Hannah Fayer

Undergraduate degree in Sociology and additional accounting studies with no academic degree awarded (California State University Northridge (CSUN) (two years of studies).

Ms. Feuer serves as external Board member of the Bank as from August 2018. In January 2020, Ms. Feuer was appointed Chair of the Remuneration Committee. Currently, Ms. Feuer is member of the Audit Committee, Remuneration Committee and Credit Committee.

Ms. Feuer has served as CFO and executive of Poalim Equity Ltd. (2003-2017) and as CFO of Shrem Podim Kelner Group (1993-2002).

Ms. Feuer has professional experience in audit management with accounting firms (1985-1988 and 1989-1993).

Joseph Fellus

Undergraduate degree in Accounting, licensed CPA, undergraduate degree in Economics.

Mr. Fellus serves the Bank as external Board member since August 2019. In January 2020, Mr. Fellus was appointed Chairman of the Audit Committee. Currently, Mr. Fellus is member of the Audit Committee, Remuneration Committee, Risks Management Committee, and the Credit Committee.

Mr. Fellus has served (through March 31, 2019) as Partner of an accounting firm and has served (2014-2019) as Managing Partner of the firm. Mr. Fellus was with this accounting firm for 40 years, of which 30 years as Partner engaged, inter alia, in audit management for public and private companies with significant business volumes.

Jonathan Kaplan

Undergraduate degree in Economics and Accounting, licensed CPA, graduate degree in Political Science and National Security.

Mr. Kaplan has been serving as Board member of the Bank since May 2011. Currently, Mr. Kaplan is a member of the Risk Management Committee, IT and Technology Innovation Committee and Credit Committee.

Mr. Kaplan has served (1999-2001) as Director General of the Tax Authority; Previously he has worked (since 1982) at the Tax Authority and has served (since 1993) as Deputy Director General for Tax Assessment; Mr. Kaplan has also been serving for 20 years as economic consultant to public and private companies engaged, *inter alia*, in consulting on issues of management and taxation.

Mr. Kaplan has also been serving as Board member of other public companies.

Ilan Kremer

Undergraduate degree in Physics and Computer Science, Graduate degree in Computer Science, PhD in Financing.

Mr. Kremer has been serving as Board member of the Bank since March 2019. He currently is member of the Risk Management Committee.

Mr. Kremer has been Professor of Economics and Financing at the Hebrew University (2011 to date) and Professor of Economics at Warwick University, UK (2012 to date). Mr. Kremer was also (2000-2012) Professor of Financing at Stanford University, USA. Mr. Kremer has been serving, inter alia, as lecturer on business and economic matters and on matters related to financing and accounting.

Gilad Rabinobich

Undergraduate degree in Economics and graduate degree in Israel Studies.

Mr. Rabinobich serves as Board member of the Bank as from March 2019. In February 2020, Mr. Rabinobich was appointed Chairman of the IT and Innovation Committee. Currently, Mr. Rabinobich is member of the Audit Committee, Remuneration Committee, Risks Management Committee and IT Committee.

Mr. Rabinobich has served as CEO of Malam Systems Ltd. (Public company) from December 2001 to June 2006.

The Bank's Board of Directors thanks the Bank President & CEO, management and employees for their efforts to promote the Bank, to expand its business and customer base.

Regulation 26a – List of senior Bank executives[1]

Below is information about senior Bank officers as of the issue date of the financial statements:

Moshe Lari[2]

ID	28405934
Birth date	1971
Title	President & CEO
Start of term in office	Since September 16, 2020 – as Bank President & CEO.
Position held with the banking corporation	President & CEO
Position held with the subsidiary	Chairman of Mizrahi Tefahot Technology Division Ltd.
Family member of another senior officer or of an interested party in the banking corporation	No
Education	Undergraduate degree in Economics and Accounting, Hebrew University, Jerusalem. Graduate degree in Business Administration from Tel Aviv University; CPA
Business experience (in past 5 years)	Manager, Financial Division – CFO at Bank Mizrahi Tefahot Ltd. Chairman of Mizrahi Tefahot Issue Company Ltd., Chairman of Mizrahi Tefahot Trust Company Ltd., Chairman of Union Bank Le-Israel Ltd., Chairman of Hamizrahi Bank Switzerland, Board member of Bank Yahav, Board member of UNITED MIZRAHI OVERSEAS HOLDING COMPANY B.V.

Menahem Aviv

ID	012390175
Birth date	1959
Start of term in office	April 13, 2005
Title	Vice-President
Position held in banking corporation, subsidiary, affiliate or interested party in the corporation	Manager, Financial Information and Reporting Division and Chief Accountant.
Family member of another senior officer or of an interested party in the banking corporation	No
Education	Undergraduate degree in Accounting and Economics – Tel Aviv University. MBA – Tel Aviv University, CPA.
Business experience (in past 5 years)	Chief Accountant, Bank Mizrahi Tefahot Ltd., Board member of Union Bank Le-Israel Ltd., Board member of Mizrahi Tefahot Issue Company Ltd.

Ofer Horvitz

ID	040573743
Birth date	1980
Start of term in office	April 1, 2023
Title	Vice-President
Position held in banking corporation, subsidiary, affiliate or interested party in the corporation	Manager, Risks Control Division – CRO
Family member of another senior officer or of an interested party in the banking corporation	No
Education	Combined undergraduate degrees in: Philosophy, Economics and Political Science – Hebrew University, Jerusalem.
Business experience (in past 5 years)	Manager, Bank Headquarters and Secretary, Bank Mizrahi Tefahot Ltd.

(1) Senior officers include no family members of another senior officer or interested party.
(2) Mr. Moshe Lari is an interested party due to his office as President & CEO of the Bank.

Regulation 26a – List of senior Bank executives[1] – continued

Meital Haroush

ID	037153913
Birth date	1979
Start of term in office	April 1, 2023
Title	Vice-President
Position held in banking corporation, subsidiary, affiliate or interested party in the corporation	Manager, Human Capital and Resources Division. Chair of the Board of Directors, Mizrahi Tefahot Security Services Ltd., Chair of the Board of Directors, Netzivim Assets and Equipment Ltd., Chair of the Board of Directors, Migrashim 1 2 3 New Commercial Center Ltd.; Chair of the Board of Directors, T.A.M Information Systems Ltd. and Member of the Board of Directors, Igudim Ltd.
Family member of another senior officer or of an interested party in the banking corporation	No
Education	BA in Banking and Capital Market from Academic College, Netanya. MA in Law from Bar Ilan University, Faculty of Law.
Business experience (in past 5 years)	Manager, LIVE and Direct Banking Sector at Bank Mizrahi Tefahot Ltd.

Galit Weiser[2]

ID	023878341
Birth date	1968
Start of term in office	July 7, 2011
Position held in banking corporation, subsidiary, affiliate or interested party in the corporation	Chief Internal Auditor; Manager, Internal Audit Division Chief Internal Auditor of Bank Yahav, Etgar Investment Portfolio Management Company of the Mizrahi Tefahot Group Ltd., Mizrahi Tefahot Trust Company Ltd., Mizrahi Tefahot Issue Company Ltd., Netzivim Assets and Equipment Ltd., Tefahot Insurance Agency (1989) Ltd.
Family member of another senior officer or of an interested party in the banking corporation	No
Education	Undergraduate degree in Accounting and Statistics from the Hebrew University, Jerusalem. Graduate degree in Business Administration from the Hebrew University, Jerusalem; CPA
Business experience (in past 5 years)	Chief Internal Auditor; Manager, Internal Audit Division, Bank Mizrahi Tefahot Ltd.

Ayala Hakim

ID	056593767
Birth date	1960
Start of term in office	July 1, 2013
Position held in subsidiary/affiliate or interested party in the corporation	Manager, Mizrahi Tefahot Technology Division Ltd. Board member of Netzivim Assets and Equipment Ltd., Board member of Mizrahi Tefahot INVEST Ltd.
Family member of another senior officer or of an interested party in the banking corporation	No
Education	Undergraduate degree in Accounting and Political Science – Bar Ilan University; Graduate degree in Business Administration – Bar Ilan University;
Business experience (in past 5 years)	CIO of Bank Mizrahi Tefahot Ltd.; Board member, Union Bank Le-Israel Ltd.
Has experience, expertise and qualifications in information and cyber security.	Has experience, expertise and qualifications in information and cyber security due, inter alia, to serving the Bank (since July 2013) as CIO of the Bank, as CEO of Mizrahi Tefahot Technology Division Ltd. (wholly-owned subsidiary of the Bank) and to having extensive experience (35 years) in senior positions at IDF technology units.

(1) Senior officers include no family members of another senior officer or interested party.
(2) Pursuant to provisions of Section 146(B) of the Corporations Law, 1999 – the Internal Auditor is not an interested party of the corporation, an officer or relative thereof.

Regulation 26a – List of senior Bank executives[(1)] – continued

Terry Yaskil

ID	016834145
Birth date	1973
Start of term in office	November 1, 2021
Title	Vice-President
Position held in banking corporation, subsidiary, affiliate or interested party in the corporation	Manager, Marketing, Advertising and Corporate Development Division, Board member of Tefahot INVEST Ltd.
Family member of another senior officer or of an interested party in the banking corporation	No
Education	Undergraduate degree in Psychology, Ben Gurion University Graduate degree in Cognitive Psychology (no thesis) – Ben Gurion University.
Business experience (in past 5 years)	VP, Marketing and Service at Partner Group.

Ofir Morad

ID	24607806
Birth date	1969
Start of term in office	January 1, 2014
Title	Vice-President
Position held in banking corporation, subsidiary, affiliate or interested party in the corporation	Manager, Business Banking Division Board member of Bank Yahav for Government Employees Ltd., Chair, Mizrahi Tefahot Factoring Ltd.
Family member of another senior officer or of an interested party in the banking corporation	No
Education	Undergraduate degree in Economics and Business Administration – Bar Ilan University Graduate degree in Industrial Engineering – Ben Gurion University
Business experience (in past 5 years)	Manager, Business Banking Division at Bank Mizrahi Tefahot Ltd.

Rachel Friedman

ID	057222200
Birth date	1961
Start of term in office	January 1, 2015
Title	Vice-President
Position held in banking corporation, subsidiary, affiliate or interested party in the corporation	Chief Legal Counsel; Manager, Legal Division
Family member of another senior officer or of an interested party in the banking corporation	No
Education	LLB Law degree – Tel Aviv University. LLM Law degree – Tel Aviv University.
Business experience (in past 5 years)	Chief Legal Counsel; Manager, Legal Division of Bank Mizrahi Tefahot Ltd.

(1) Senior officers include no family members of another senior officer or interested party.

Regulation 26a – List of senior Bank executives[1] – continued

Adi Shachaf

ID	025735598
Birth date	1974
Start of term in office	September 16, 2020
Title	Vice-president.
Position held in banking corporation, subsidiary, affiliate or interested party in the corporation	Manager, Financial Division – CFO Chairman of Mizrahi Tefahot Issue Company Ltd., Chairman of Mizrahi Tefahot Trust Company Ltd., Chairman of Mizrahi Tefahot INVEST Ltd.
Family member of another senior officer or of an interested party in the banking corporation	No
Education	Undergraduate degree in Psychology – Hebrew University, Jerusalem. Graduate degree in Business Administration – Hebrew University, Jerusalem.
Business experience (in past 5 years)	Deputy Manager, Finance Division at Bank Mizrahi Tefahot Ltd., Board member of Union Bank Le-Israel Ltd., Director UNITED MIZRAHI OVERSEAS HOLDING COMPANY B.V.

Shevy Shemer

ID	059030957
Birth date	1964
Start of term in office	April 1, 2022
Title	Vice-President
Position held in banking corporation, subsidiary, affiliate or interested party in the corporation	Manager, Retail Division, Chairman of the Board of Directors, Mizrahi Tefahot Leasing Ltd. and Mizrahi Tefahot Discounting and Finance Ltd., Board member of Tefahot Insurance Agency (1989) Ltd.
Family member of another senior officer or of an interested party in the banking corporation	No
Education	Undergraduate degree in Industrial Engineering (Information Systems) – Ben Gurion University. MBA – Ben Gurion University.
Business experience (in past 5 years)	CEO of Union Bank Le-Israel Ltd. EVP – Manager, Retail Division, Customer Assets and Advisory – Union Bank Le-Israel Ltd.

Micha Argaman

ID	028617819
Birth date	1971
Start of term in office	April 1, 2023
Position held in banking corporation, subsidiary, affiliate or interested party in the corporation	Manager, Banking Operation sector; Board member, Masav (Bank Clearing Center Ltd.), Board member of Mizrahi Tefahot Trust Company Ltd.; Board member, Tefahot Insurance Agency (1989) Ltd.; Board memmber, Netzivim Assets and Equipment Ltd.; Board memmber, Mizrahi Tefahot Leasing Ltd.; Chairman of the Board of Diretors, Igudim Ltd.; Chairman of the Board of Directors Igud Odafim Ltd.
Family member of another senior officer or of an interested party in the banking corporation	No
Education	MBA – Ben Gurion University. BSc in Industrial Engineering – Ben Gurion University. Real estate appraisal and management – Tel Aviv University.
Business experience (in past 5 years)	Deputy Manager, Human Capital and Resources Division.

(1) Senior officers include no family members of another senior officer or interested party.

Regulation 26a – List of senior Bank executives[1] – continued

Tal Ben Ari

ID	028789915
Birth date	1971
Start of term in office	April 1, 2023
Position held in banking corporation, subsidiary, affiliate or interested party in the corporation	Manager, Enterprise Projects Department Chairman of the Board of Directors, Union Bank Le-Israel Nominee Company Ltd., Chairman of the Board of Directors, Union Bank Underwriting and Finance Ltd., Director, Mizrahi Tefahot Trust Company Ltd., Director Mizrahi Tefahot Invest Ltd.
Family member of another senior officer or of an interested party in the banking corporation	No
Education	Extended Undergraduate degree in Economics, Hebrew University, Jerusalem. First year studies in business administration and economics at Ben Gurion University, Be'er Sheva.
Business experience (in past 5 years)	Project Manager, Union Bank integration into Bank Mizrahi Tefahot. Manager, Financial Management Division at Union Bank Le-Israel Ltd. (executive).

Chanan Kikuzashvili

ID	039591193
Birth date	1983
Start of term in office	April 1, 2023
Position held in banking corporation, subsidiary, affiliate or interested party in the corporation	Bank Secretary and Manager, Bank Headquarters.
Family member of another senior officer or of an interested party in the banking corporation	No
Education	Executive MBA – Ben Gurion University. Undergraduate degree in Economics and Business Administration – Ben Gurion University.
Business experience (in past 5 years)	Deputy Bank Secretary.

(1) Senior officers include no family members of another senior officer or interested party.

Reg. 26b – Authorized signatories of the Bank

The Bank has no sole authorized signatory.

Regulation 27 – Independent Auditor of the Bank

Brightman Almagor Zohar & Co., CPAs, 1 Azrieli Center, Tel Aviv.

Reg. 28 - Changes to Articles of Incorporation or to Bylaws

In the reported period, no changes were made to Articles of Incorporation nor to Bylaws of the Bank.

Regulation 29 – Recommendations and decisions by Board members

a. Recommendations by Board members to the General Meeting and resolutions not requiring approval by the General Meeting, with regard to matters listed in the Bylaws:

Under the new five-year strategic plan for 2021-2025, approved by the Board of Directors on April 26, 2021, the Board of Directors shall monitor execution of the new strategic plan, in order to consider potential increase of the dividends rate up to 50% of net profit attributable to equity holders of the Bank, upon conclusion of the Union Bank merger process; this would be subject to Bank compliance with the ratio of Tier I equity to risk components, as required by the Supervisor of Banks, maintaining appropriate margins and subject to approval by the Supervisor of Banks.

Note that the aforementioned dividends policy does not constitute any resolution nor commitment to make any dividends distribution, and that any "distribution" would be subject to approvals as required by law, including approval of the distribution by the Board of Directors, all at the discretion of the Board of Directors and subject to all statutory provisions.

Below are details of dividend distributions by the Bank in the reported period:

– On March 28, 2024: NIS 209.4 million (20% of net profit in the fourth quarter of 2023).
– On June 6, 2024: NIS 508.8 million (40% of net profit in the second quarter of 2024).
– On August 29, 2024: NIS 580.8 million (40% of net profit in the second quarter of 2024).
– On December 5, 2024: NIS 570.0 million (40% of net profit in the third quarter of 2024).

Dividends declared with respect to earnings in the fourth quarter of 2024:

On February 26, 2025, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 522.4 million, constituting 40% of earnings in the fourth quarter of 2024, in conformity with the Bank's dividend policy and after assessing the planning of the Bank's capital under the different scenarios.

The dividend amount constitutes 2,015.73% of the issued capital, i.e. 201.57 agorot per NIS 0.1 par value share. The effective date for dividends payment is March 6, 2025 and the payment date is March 13, 2025. The final dividends per share is subject to changes due to realized convertible securities of the Bank.

b. Resolutions by the General Meeting made other than in accordance with recommendations made by Board members on issues set forth in sub-section (a): None.

c. Resolutions by an extraordinary General Meeting:

In an Extraordinary General Meeting held on February 20, 2024 it was resolved to (re-)appoint of Ms. Esteri Gilez-Ran as External Board member of the Bank, pursuant to the Companies Law (and as such she will be considered an independent director, who shall also serve as a Bank External Board member pursuant to Directive 301), for a further term of three (3) years (second term in office) starting February 27, 2024.

For further details see the Bank's immediate report of February 20, 2024 (reference no.: 2024-01-018129).

In an Extraordinary General Meeting held on June 13, 2024 it was resolved to reappoint Mr. Moshe Vidman as Director at the Bank for an additional term in office starting June 16, 2024. It was further resolved that the duration of Mr. Vidman's service as Bank director shall be to the end of the Annual General Meeting held in 2025.

For further details see the Bank's immediate report of June 13, 2024 (reference no.: 2024-01-059959)

In an Extraordinary General Meeting held on August 27, 2024 it was resolved to approve Mr. Avraham Zeldman's terms of service and employment regarding his term in office as the Chairman of the Bank's Board of Directors, starting on June 16, 2024, including the approval of the Bank's engagement in an employment agreement with Mr. Zeldman, whose effective date is June 16, 2024; furthermore, it was also resolved to reappoint Ms. Hannah Feuer as External Board member at the Bank in accordance with the Companies Law for a further term in office of three (3) years (third term in office), as from August 30, 2024.
For further details see the Bank's immediate report of August 27, 2024 (reference no.: 2024-01-094843)
The annual General Meeting held on December 3, 2024 resolved as follows:

Re-appoint Brightman Almagor Zohar & Co. as the Bank's Independent Auditor through the next annual General Meeting of Bank shareholders.

For further details see the Bank's immediate report of December 3, 2024 (reference no.: 2024-01-621704)

Regulation 29a(4) – Corporate resolutions

For more information regarding letters of indemnity, see Note 26.C, sections 5-9 to the financial statements.

On September 19, 2024, the Bank's Board of Directors approved, after approval by the Remuneration Committee, the Bank's engagement in a Board member and other officers liability insurance policy, for a term of 18 months as from October 1, 2024. Pursuant to Regulation 1B1 and pursuant to Regulations 1A1 and 1B(a)(5) of the Corporate Regulations (Relief for transactions with interested parties), 2000, and in accordance with the remuneration policy for officers.

The insurance policy covers, inter alia, the Bank President & CEO, the controlling shareholders of the Bank and relatives thereof. For more information see Immediate Report dated September 19, 2024, (reference no. 2024-01-604521).

Ramat Gan, February 26, 2025

Names of signatories:

Menahem Aviv
Vice-president,
Chief Accountant

Chanan Kikuzashvili
Bank Secretary

MIZRAHI TEFAHOT

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Technology Division of Mizrahi Tefahot Ltd.

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Mizrahi Tefahot Trust Company Ltd.

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מזרחי טפחות

MIZRAHI TEFAHOT

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CORPORATE GOVERNANCE QUESTIONNAIRE[1]

BOARD OF DIRECTORS INDEPENDENCE		True	False
1.	Throughout the reported year, the Board included two or more external Board members. For this question, you may answer "True" if the duration in which there were not two external Board members does not exceed 90 days, as set forth in Section 363A.(b)(10) of the Companies Law; however, for any answer (True or False), indicate the duration (in days) when the Board did not include two or more external Board members in the reported year (including any term in office retroactively approved, separately for different external Board members): Board member A: **Ms. Hannah Feuer** Board member B: **Mr. Gilad Rabinobich** Board member C: **Mr. Joseph Fellus** Board member D: **Ms. Estheri Giloz-Ran** The number of external Board members currently in office as of the publication date of this questionnaire: **4**.	✓	

[1]Published in conjunction with proposed legislation for improvement of reports on March 16, 2014.

2.	The rate of [2]independent Board members[3] currently in office as of the publication date of this questionnaire: **4/10**. The rate of independent Board members set in the corporate [4]Bylaws:[5] **Pursuant to the Supervisor of Banks' Proper Conduct of Banking Business Directive regarding "Board of Directors", at least one third of Board members of a banking corporation would be external Board members, as this term is defined in said Directive ("External Board Members as Directed by the Supervisor"). As of the publication date of this questionnaire, the Bank has four (4) external Board members, as this term is defined in the Companies Law, 1999, who also qualify as External Board Members as Directed by the Supervisor. All external Board members, as noted, are also independent Board members.** ☐ N/A (no provisions included in the bylaws).	____	____
3.	In the reported year, a review with the external Board members (and independent Board members) found that in the reported year, they were in compliance with provisions of Section 240(b) and (f) of the Companies Law with regard to no affiliation of external (and independent) Board members in office, and also meet the conditions for serving as external (or independent) Board member. **Each of the external Board members (who is also an independent Board member) has certified to the Bank that they were in compliance with provisions of Section 240(b) and (f) of the Companies Law with regard to no affiliation and also meet the conditions for serving as external (or independent) Board member, as noted above.**	✓	

2 In this questionnaire, "**rate**" means a certain number out of the total. For example: 3/8.
3 Including "external Board members" as defined in the Companies Law.
4 For this matter, "Bylaws" including pursuant to specific statutory provisions applicable to the Corporation (for example, for a banking corporation – directives of the Supervisor of Banks).
5 A bond company is exempt from answering this item.

4.	All Board members in office during the reported year do not report to the CEO[6], directly or indirectly (other than a Board member who is an employee representative, if any). If you answered False (i.e. the Board member reports to the CEO) – indicate the rate of Board members who failed to meet this criterion: ___.	✓	
5.	All Board members who announced they had a personal interest in approval of a transaction on the agenda of the meeting, did not attend discussion and did not participate in voting (other than discussion and/or voting under circumstances as set forth in Section 278(b) of the Companies Law): If you answered False – Was this for the purpose of presenting a certain matter thereby, in conformity with provisions of Section 278(a): ☐ YES ☐ NO (check as appropriate). Indicate the rate of meetings at which such Board members attended and/or participated in voting, other than under circumstances as set forth in sub-section a: ___.	✓	

[6] With regard to this question – merely holding the office of Board member with a corporation owned and controlled by the Corporation shall not constitute "reporting"; conversely, holding the office of Board member with a corporation that is an officer (other than Board member) and/or employee of a corporation owned and controlled by the Corporation shall constitute "reporting" for the purpose of this question.

6.	The controlling shareholder (including relative thereof and/or anyone on behalf thereof), who is not a Board member or senior officer of the corporation, did not attend meetings of the Board of Directors held during the reported year. If you answered False (i.e. the controlling shareholder and/or relative thereof and/or anyone on behalf thereof, who is not a Board member or senior officer of the corporation, did attend such meetings of the Board of Directors) – indicate the following information regarding attendance of any other person at such meetings of the Board of Directors: Identity: ____. Position with the corporation (if any): _____. Affiliation with the controlling shareholder (if the person attending is other than the controlling shareholder): _____. Was this for the purpose of presenting a certain matter thereby: ☐ YES ☐ NO (check as appropriate). Their attendance rate[7] at meetings of the Board of Directors held during the reported year for presenting a certain matter thereby: _____, other attendance: _____. ☐Not applicable (the corporation does not have a controlling shareholder).	✓	

[7] Separating the controlling shareholder, any relative thereof and/or anyone on behalf thereof.

BOARD MEMBER QUALIFICATIONS AND SKILLS				
			True	**False**
7.	The corporate Bylaws include no provision limiting the option for immediate termination of term in office of all Board members of the corporation, other than external Board members (for this matter – a resolution by simple majority is not considered a limitation).[8] If you answered False (i.e. there is such limitation), indicate –		✓	
	a.	Term in office for Board member, as set forth in the Bylaws: _____.	_____	_____
	b.	Majority required in the Bylaws for terminating a Board member's term in office: _____.	_____	_____
	c.	Legal quorum specified in the Bylaws for a General Meeting, for terminating a Board member's term in office: _____.	_____	_____
	d.	Majority required to amend these provisions of the Bylaws: _____.	_____	_____

8 A bond company is exempt from answering this item.

8.	The corporation has put in place a training program for new Board members with regard to the corporation's business and laws applicable to the corporation and to Board members, and has put in place a continuing program for training incumbent Board members suitable, *inter alia*, to the Board member's role within the corporation. If you answered True – indicate if this program was active in the reported year: X YES ☐ ~~NO~~ (check as appropriate)			✓	
9.		a.	The corporation has specified the minimum number of Board members to have accounting and financial expertise. If you answered True – indicate the minimum number specified: **At least three (3) Board members (pursuant to a resolution by the Board of Directors) and at least one fifth (1/5) of all Board members (in conformity with Proper Conduct of Banking Business Directive with regard to the Board of Directors, issued by the Supervisor of Banks).**	✓	

		b.	The number of Board members in office during the reported year – Having accounting and financial expertise:[9] **<u>8</u>** Having professional qualifications:[10] **<u>10</u>** In case of changes to said number of Board members in the reported year, provide the lowest number (except for the 60-day period after such change) of Board members of each category who served in the reported year. **<u>As of the publication date of this questionnaire, all Board members at the Bank are classified as "Expert Board members" for the purpose of Companies Regulations (Rules for remuneration and expense reimbursement for external Board members), 2000.</u>**	_____	_____
10.		a.	Throughout the reported year, the Board of Directors consisted of Board members of both genders. If you answered False – indicate the duration (in days) when this was false: _____. For this question, you may answer "True" if the duration in which there were no Board members of both genders does not exceed 60 days; however, for any answer (True or False), indicate the duration (in days) when the Board did not include Board members of both genders: _____.	✓	
		b.	The number of Board members of each gender currently in office as of the publication date of this questionnaire: Male: **<u>8</u>**, Female: **<u>2</u>**.	_____	_____

9 After assessment by the Board of Directors, in conformity with Corporate Regulations (Requirements and tests for Board members with accounting and financial skills and for Board members with professional skills), 2005.

10 See footnote 9.

BOARD MEETINGS (AND GENERAL MEETING OF SHAREHOLDERS)

11. a. Number of Board meetings held in each quarter of the reported year:

First quarter (of 2024): 8.

Second quarter (of 2024): 4.

Third quarter (of 2024): 5.

Fourth quarter (of 2024): 8.

b. Next to each name of a Board member who served the corporation during the reported year, indicate their attendance rate[11] at Board meetings (in this sub-section: including meetings of Board committees they are member of, as noted below) held during the reported year (with reference to their term in office):

Board member name	Attendance rate at **Board** meetings	Attendance rate at meetings of the **Audit Committee**[12]	Attendance rate at meetings of the **Financial Statements Review Committee**[13]	Attendance rate at meetings of the **Remuneration Committee**[14]	Their attendance rate at meetings of **other Board committees of which they are a member** (please indicate the committee name)[15]

[11] See footnote 2.
[12] For Board member who is a member of this committee.
[13] For Board member who is a member of this committee.
[14] For Board member who is a member of this committee.
[15] For a Board member who is a committee member.

					The Audit Committee also serves as the Financial Statements Review Committee.[16]			**Credit Committee**	**Risk Management Committee**	**IT and Technology Innovation Committee**	**“Ad-hoc” committee, set up on June 13, 2024 regarding review of composition of the Board of Directors, prior to appointment of Board members to the Bank [17]**	**“Ad-hoc” committee, set up on November 20, 2024, regarding review of composition of the Board of Directors, prior to appointment of Board members to the Bank[18]**	
			Avraham Zeldman[19]	100%	100%	100%	–	100%	100%	100%	100%	100%	

[16] Details of attendance rate at meetings of the Audit Committee (as set forth in the third column of this table) refer to meetings of the Audit Committee, other than meetings involving the financial statements. Also, details of attendance rate at meetings of the Audit Committee (as set forth in the fourth column of this table) refer to meetings of the Audit Committee involving the financial statements.

[17] The Committee was convened once.

[18] The Committee was convened once.

[19] Mr. Avraham Zeldman has been serving as the Chairman of the Bank’s Board of Directors as from June 16, 2024.

During Mr. Zeldman's term in office as a director other than the Chairman of the Board of Directors (from January 1, 2024 to June 15, 2024), Mr. Zeldman served as a member of the following Board of Directors committees: The Audit Committee and the Risk Management Committee; this in addition to his service as a member in an Ad Hoc Committee as described in this table.

During Mr. Zeldman's term in office as a director and as the Chairman of the Board of Directors (as from June 16, 2024), Mr. Zeldman served as a member of the following Board of Directors committees: The Audit Committee (Chairman), the Risk Management Committee, and the IT and Technology Innovation Committee; this in addition to his service as a member in Ad Hoc Committees as described in this table.

During his service as Chairman of the Board of Directors (as from June 16, 2024), Mr. Avraham Zeldman is not a member of the Audit Committee but attends as observer the meetings of the Audit Committee as part of the approval process of the financial statements; this is in line with the position of the Supervisor of Banks, as included in "Q&A regarding implementation of Proper Conduct of Banking Business Directive 301 with regard to the Board of Directors".

Board member name	**Board of Directors**	**Audit Committee**	**Financial Statements Review Committee**	**Remuneration Committee**	**Credit Committee**	**Risk Management Committee**	**IT and Technology Innovation Committee**	**“Ad-hoc” committee, set up on June 13, 2024, regarding review of composition of the Board of Directors, prior to appointment of Board members to the Bank**	**“Ad-hoc” committee, set up on November 20, 2024, regarding review of composition of the Board of Directors, prior to appointment of Board members to the Bank**
Ron Gazit	96%	–	–	–	92%	–	100%	–	–
Jonathan Kaplan	100%	–	–	–	100%	100%	100%	100%	100%
Moshe Vidman[20]	88%	91%	100%	–	71%	88%	67%	–	–
Hannah Feuer	100%	100%	100%	100%	100%	–	–	–	–

[20] Mr. Moshe Vidman ceased serving as the Chairman of the Board of Directors of the Bank on June 15, 2024. As from June 16, 2024, Mr. Vidman has been serving as a director (who is not the Chairman of the Board of Directors).
During Mr. Vidman's term in office as a director and as Chairman of the Board of Directors (from January 1, 2024 to June 15, 2024), Mr. Vidman served as a member of the following Board of Directors committees: The Audit Committee (Chairman), the Risk Management Committee (Chairman), and the IT and Technology Innovation Committee.
During Mr. Vidman’s term in office as the Chairman of the Board of Directors he did not serve as a member of the Audit Committee but attended as observer the meetings of the Audit Committee as part of the approval process of the financial statements; this is in line with the position of the Supervisor of Banks, as included in "Q&A regarding implementation of Proper Conduct of Banking Business Directive 301 with regard to the Board of Directors".
During Mr. Vidman's term in office as a director who is not the Chairman of the Board of Directors (as from June 16, 2024), Mr. Vidman served as a member of the following Board of Directors committees: Audit Committee and Risk Management Committee.

			Board member name	**Board of Directors**	**Audit Committee**	**Financial Statements Review Committee**	**Remuneration Committee**	**Credit Committee**	**Risk Management Committee**	**IT and Technology Innovation Committee**	**“Ad-hoc” committee, set up on June 13, 2024, regarding review of composition of the Board of Directors, prior to appointment of Board members to the Bank**	**“Ad-hoc” committee, set up on November 20, 2024, regarding review of composition of the Board of Directors, prior to appointment of Board members to the Bank**	
			Gilad Rabinobich	100%	100%	100%	100%	–	100%	100%	–	–	
			Ilan Kremer	100%	–	–	–	–	100%	–	–	–	
			Eli Alroy	100%	–	–	–	100%	–	100%	–	–	
			Joseph Fellus	100%	100%	100%	100%	100%	100%	–	100%	100%	
			Estheri Giloz-Ran	100%	100%	100%	100%	–	–	100%	–	–	

		True	False
12.	In the reported year, the Board of Directors held one or more discussions regarding management of corporate business by the CEO and officers reporting thereto, in their absence, and they were given an opportunity to express their opinion.	✓	—

SEPARATION OF ROLES OF THE CEO AND CHAIRMAN OF THE BOARD

		True	False
13.	Throughout the reported year, the corporation was served by a Chairman of the Board of Directors. For this question, you may answer "True" if the duration in which there was no Chairman of the Board of Directors at the corporation does not exceed 60 days, as set forth in Section 363a.(2) of the Companies Law; however, for any answer (True or False), indicate the duration (in days) when there was no Chairman of the Board of Directors at the corporation: _____.	✓	
14.	Throughout the reported year, the corporation was served by a CEO. For this question, you may answer "True" if the duration in which there was no CEO at the corporation does not exceed 90 days, as set forth in Section 363a.(6) of the Companies Law; however, for any answer (True or False), indicate the duration (in days) when there was no CEO at the corporation: ________.	✓	

15.	For a corporation where the Chairman of the Board of Directors also serves as CEO and/or exercises their authority, this dual office was approved in conformity with provisions of Section 121(c) of the Companies Law.[21] ☑ Not applicable (as there is no such dual office at the Corporation).			_____	_____
16.		The CEO is <u>not</u> related to the Chairman of the Board of Directors. If you answered False (i.e. the CEO is related to the Chairman of the Board of Directors) –		✓	
		a.	Indicate the family relationship between them: _____.	_____	_____
		b.	The office was approved pursuant to Section 121(c) of the Companies Law.[22] ☐ YES ☐ NO *(Check as appropriate)*	_____	_____
17.		A controlling shareholder or relative thereof does <u>not</u> serve as CEO or senior officer of the corporation, other than as Board member. ☐ Not applicable (the Corporation does not have a controlling shareholder).		✓	

[21] For a bond company – approval pursuant to Section 121(d) of the Companies Law.
[22] For a bond company – approval pursuant to Section 121(d) of the Companies Law.

AUDIT COMMITTEE				
			True	**False**
18.		During the reported year, the Audit Committee <u>did not include</u> –	_____	_____
	a.	The controlling shareholder or relative thereof. ☐ Not applicable (the Corporation does not have a controlling shareholder).	✓	
	b.	Chairman of the Board of Directors.	✓	
	C.	A Board member employed by the corporation, or by the controlling shareholder of the corporation, or by a corporation controlled thereby.	✓	
	D.	A Board member who regularly provides services to the corporation, or to the controlling shareholder of the corporation, or to a corporation controlled thereby.	✓	
	E.	A Board member whose livelihood primarily depends on the controlling shareholder. ☐ Not applicable (the Corporation does not have a controlling shareholder).	✓	
19.		Anyone not permitted to be a member of the Audit Committee, including a controlling shareholder or relative thereof, did not attend, during the reported year, meetings of the Audit Committee other than pursuant to provisions of Section 115(e) of the Companies Law.	✓	

20.	The legal quorum for discussion and passing resolutions at all Audit Committee meetings held during the reported period was a majority of Committee members, with a majority of those present being independent Board members and at least one of them was an external Board member. If you answered False – indicate the rate of meetings where this requirement was not fulfilled: _____.	✓	
21.	During the reported year, the Audit Committee held one or more meetings attended by the Internal Auditor and by the Independent Auditor, and not attended by officers of the corporation other than Committee members, regarding deficiencies in business management of the corporation.	✓	
22.	At all meetings of the Audit Committee attended by anyone not permitted to be member of this Committee, this was approved by the Committee Chair and/or requested by the Committee (with regard to Legal Counsel and Corporate Secretary who is not a controlling shareholder or relative thereof).	✓	
23.	During the reported period, arrangements were in place as determined by the Audit Committee, regarding handling of complaints by employees of the corporation about deficiencies in business management of the corporation and regarding protection to be extended to employees who make such complaints.	✓	
24.	The Audit Committee (and/or the Financial Statements Review Committee) was satisfied that the scope of work of the Independent Auditor and their fee with regard to the financial statements in the reported year, were appropriate for carrying out proper audit and review work.	✓	

ROLES OF THE FINANCIAL STATEMENTS REVIEW COMMITTEE (HEREINAFTER: "THE COMMITTEE") IN ITS WORK PRIOR TO APPROVAL OF THE FINANCIAL STATEMENTS				
			True	**False**
25.	a.	Please indicate the duration (in days) determined by the Board of Directors to be a reasonable time for providing recommendations of the committee prior to a Board meeting convened to approve the financial statements: **3 days – however, by decision of the Board of Directors, the Chairman of the Board of Directors may instruct, at their discretion, that the recommendations be provided to Board members sooner or later than the foregoing, provided this is reasonable under the circumstances.**	_____	_____
	b.	Actual number of days between providing the recommendations to the Board of Directors, and the date of Board discussion to approve the financial statements: Financial statements for the first quarter (of 2024): 2. Financial statements for the second quarter (of 2024): 3. Financial statements for the third quarter (of 2024): 2. Annual report (for 2024): 6.	_____	_____

	c.	Number of days between providing the draft financial statements to Board members, and the date of Board discussion to approve the financial statements: Financial statements for the first quarter (of 2024): 6. Financial statements for the second quarter (of 2024): 7. Financial statements for the third quarter (of 2024): 7. Annual report (for 2024): 9.	_____	_____
26.	The Corporation's Independent Auditor attended all meetings of the Committee and of the Board of Directors convened to discuss the Corporation's financial statements for periods within the reported period. If you answered False – indicate their attendance rate: _____.		✓	
27.	During the reported year and through publication of the annual report, the Committee fulfilled all of the following conditions:		_____	_____
	a.	The number of members was three or more (upon discussion by the Committee and approval of the aforesaid reports).	✓	
	b.	All conditions set forth in Section 115(b) and (c) of the Companies Law (regarding office of Audit Committee members) were fulfilled.	✓	

	c.	The Committee Chair is an external Board member.	✓	
	d.	All Committee members were Board members, and a majority of Committee members were independent Board members.	✓	
	e.	All Committee members are able to read and understand financial statements, and one or more of the independent Board members has accounting and financial expertise.	✓	
	f.	Committee members have provided certification prior to their appointment.	✓	
	g.	Legal quorum for discussion and voting on resolutions by the Committee was a majority of Committee members, provided that a majority of those in attendance are independent Board members, including one or more external Board members.	✓	
	If you answered False to any of the sub-sections of this item, indicate for which report (periodic / quarterly) the condition was not fulfilled, and which condition was not fulfilled: _____.		_____	_____

REMUNERATION COMMITTEE					
				True	**False**
28.		During the reported period, the Committee included at least three members and external Board members constituted a majority of Committee members (on the date of discussion by the Committee). ☐Not applicable. (No discussions took place).		✓	
29.		Terms of office and employment of all Remuneration Committee members in the reported year were in conformity with Companies Regulations (Rules for remuneration and expense reimbursement for external Board members), 2000.		✓	
30.		During the reported year, the Remuneration Committee did not include –		_____	_____
		a.	The controlling shareholder or relative thereof. ☐ Not applicable (the Corporation does not have a controlling shareholder).	✓	

		b.	Chairman of the Board of Directors.	✓	
		c.	A Board member employed by the corporation, or by the controlling shareholder of the corporation, or by a corporation controlled thereby.	✓	
		d.	A Board member who regularly provides services to the corporation, or to the controlling shareholder of the corporation, or to a corporation controlled thereby.	✓	
		e.	A Board member whose livelihood primarily depends on the controlling shareholder. ☐ Not applicable (the Corporation does not have a controlling shareholder).	✓	
31.		During the reported period, a controlling shareholder, or relative thereof, did not attend meetings of the Remuneration Committee, unless the Committee Chair has ruled that they are required to attend for presentation of any particular matter.		✓	

32.	The Remuneration Committee and the Board of Directors did not exercise their authority pursuant to Sections 267a(c), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or remuneration policy, despite the objection of the General Meeting of shareholders. If you answered False, please indicate – The type of transaction thus approved: _____ The number of times they exercised their authority in the reported year: _____	✓	

INTERNAL AUDITOR			
		True	**False**
33.	The Chairman of the Board of Directors or the CEO of the corporation is the organizational supervisor of the corporation's Internal Auditor.	✓	
34.	The Chairman of the Board of Directors or the Audit Committee have approved the work plan in the reported year. Also list audit topics addressed by the Internal Auditor in the reported year: 2024 (check as appropriate). **Internal Audit operates based on a risk-based audit plan. The work plan for 2024 and the multi-year work plan (for 2024-2026) were discussed by the Audit Committee and approved by the Board of Directors' plenum. In 2024, in conformity with the work plan, Internal Audit addressed, inter alia, topics related to credit risk, financial risk, compliance risk, operating risk, AML etc. For more information see disclosure with regard to the Internal Auditor of the Corporation in chapter "Corporate governance and audit" in the Bank's 2024 annual report.**	✓	

35.	Scope of employment of the corporation's Internal Auditor in the reported year (in hours):[23] **Full-time position** **For more information see disclosure with regard to the Internal Auditor of the Corporation in chapter "Corporate governance and audit" in the Bank's 2024 annual report.**	_____	_____
	In the reported year, the Audit Committee or the Board of Directors discussed the Internal Auditor's findings.	✓	
36.	The Internal Auditor is not an interested party in the corporation, relative thereof, Independent Auditor or anyone on behalf thereof, and has no substantial business relations with the corporation, the controlling shareholder thereof, any relative thereof or corporations controlled thereby.	✓	

[23] Including work with regard to investees and audit work outside of Israel, as the case may be.

TRANSACTIONS WITH INTERESTED PARTIES			
		True	**False**
37.	The controlling shareholder or relative thereof (including company controlled thereby) is not employed by nor provides management services to the corporation. If you answered False (i.e. the controlling shareholder or relative thereof is employed by nor provides management services to the corporation), indicate – – The number of relatives (including the controlling shareholder) employed by the corporation (including companies controlled thereby and/or through management companies): _____. – Were the employment agreements and/or management services agreements approved by the organs as set forth by law: ☐ YES ☐ NO (Check as appropriate) ☐ Not applicable (the corporation does not have a controlling shareholder). _____.	✓	

38.	To the best of the corporation's knowledge, the controlling shareholder has no other business in the corporation's operating segment (in one or more segments). If you answered False – indicate whether an agreement to delineate operations has been reached by the corporation and the controlling shareholder thereof: ☐ YES ☐ NO (Check as appropriate) ☐ Not applicable (the Corporation does not have a controlling shareholder).	✓	

Chairman of the Board of Directors: Mr. Avraham Zeldman.

Chairman of the Audit Committee
(also serves as the Financial Statement Review Committee): Mr. Joseph Fellus